

Taiwan Mobile Co., Ltd.
Non-consolidated Financial Statements for the
Years Ended December 31, 2014 and 2013, and
Independent Auditors' Report

Independent Auditors' Report

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

We have audited the accompanying balance sheets of Taiwan Mobile Co., Ltd. as of December 31, 2014 and 2013, and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2014 and 2013. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall non-consolidated statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Mobile Co., Ltd. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years ended December 31, 2014 and 2013, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers."

We have also audited the accompanying schedules of significant accounts, provided as supplementary analysis, by applying the same procedures described above. In our opinion, such schedules are consistent, in all material respects, with the non-consolidated financial statements referred to above.

KPMG
Taipei, Taiwan (the Republic of China)
January 29, 2015

Notes to Readers

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

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

TAIWAN MOBILE CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

		2014.12.31		2013.12.31				2014.12.31		2013.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
ASSETS						LIABILITIES AND EQUITY					
CURRENT ASSETS						CURRENT LIABILITIES					
1100	Cash and cash equivalents (Notes 4, 6(a) and 7)	\$ 1,167,487	1	601,723	1	2100	Short-term borrowings (Notes 4, 6(l) and 7)	\$ 27,880,000	20	37,170,000	28
1125	Current available-for-sale financial assets (Notes 4, 6(b))	204,310	-	202,354	-	2110	Short-term notes and bills payable (Notes 4 and 6(l))	5,593,031	4	2,396,971	2
1170	Accounts and notes receivable, net (Notes 4, 5 and 6(d))	10,606,824	8	11,807,587	9	2170	Accounts payable	4,353,712	3	4,025,392	3
1180	Accounts receivable from related parties (Note 7)	261,589	-	1,744,392	1	2180	Accounts payable to related parties (Note 7)	88,659	-	94,029	-
1200	Other receivables	371,843	-	335,115	-	2219	Other payables (Note 7)	8,885,881	6	8,884,409	7
1210	Other receivable from related parties (Note 7)	333,917	-	2,433,533	2	2230	Current tax liabilities (Note 4)	940,108	1	470,808	-
130x	Inventories (Notes 4 and 6(e))	1,999,682	2	2,283,349	2	2250	Current provisions (Notes 4 and 6(p))	118,947	-	109,116	-
1410	Prepayments (Note 7)	303,705	-	409,844	-	2310	Advance receipts (Note 6(m))	1,673,685	1	1,973,963	1
1479	Other current assets	1,810	-	1,801	-	2320	Long-term liabilities, current portion (Note 6(o))	2,000,000	2	1,000,000	1
	Total current assets	<u>15,251,167</u>	<u>11</u>	<u>19,819,698</u>	<u>15</u>	2399	Other current liabilities	1,716,023	1	1,112,012	1
							Total current liabilities	<u>53,250,046</u>	<u>38</u>	<u>57,236,700</u>	<u>43</u>
NON-CURRENT ASSETS						NON-CURRENT LIABILITIES					
1523	Non-current available-for-sale financial assets (Notes 4 and 6(b))	2,587,050	2	-	-	2530	Bonds payable (Note 6(n))	14,794,293	11	14,792,647	11
1543	Non-current financial assets at cost (Notes 4 and 6(c))	7,050	-	50,324	-	2540	Long-term borrowings (Note 6(o))	10,000,000	7	2,000,000	2
1550	Investments accounted for using equity method (Notes 4, 5 and 6(f))	47,285,131	34	39,513,049	30	2550	Non-current provisions (Notes 4 and 6(p))	616,959	-	564,470	-
1600	Property, plant and equipment (Notes 4, 5 and 6(h))	32,294,190	23	28,975,365	22	2570	Deferred tax liabilities (Notes 4, 5 and 6(s))	1,313,577	1	1,744,211	1
1760	Investment properties, net (Notes 4 and 6(i))	554,966	-	1,765,018	1	2640	Accrued pension liabilities (Notes 4 and 6(r))	28,286	-	28,882	-
1791	Concessions (Notes 4 and 6(j))	31,505,997	22	32,748,545	24	2645	Guarantee deposits	360,393	-	376,428	-
1805	Goodwill (Notes 4, 5 and 6(j))	7,121,871	5	7,121,871	5		Total non-current liabilities	<u>27,113,508</u>	<u>19</u>	<u>19,506,638</u>	<u>14</u>
1801	Computer software, net (Notes 4 and 6(j))	489,502	-	376,627	-		Total liabilities	<u>80,363,554</u>	<u>57</u>	<u>76,743,338</u>	<u>57</u>
1840	Deferred tax assets (Notes 4, 5 and 6(s))	779,560	1	815,573	1						
1995	Other non-current assets (Notes 6(k) and 8)	2,746,422	2	2,991,162	2	3110	Ordinary shares	34,208,328	24	34,208,328	26
	Total non-current assets	<u>125,371,739</u>	<u>89</u>	<u>114,357,534</u>	<u>85</u>	3200	Capital surplus	14,715,830	11	12,456,891	9
							Retained earnings				
						3310	Legal reserve	21,537,666	15	19,262,044	14
						3350	Unappropriated retained earnings	19,817,858	14	22,171,132	17
						3400	Other equity interests	(302,986)	-	412,682	-
						3500	Treasury shares	(29,717,344)	(21)	(31,077,183)	(23)
							Total equity (Note 6(t))	<u>60,259,352</u>	<u>43</u>	<u>57,433,894</u>	<u>43</u>
TOTAL		<u>\$140,622,906</u>	<u>100</u>	<u>134,177,232</u>	<u>100</u>	TOTAL		<u>\$140,622,906</u>	<u>100</u>	<u>134,177,232</u>	<u>100</u>

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

TAIWAN MOBILE CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
4000 OPERATING REVENUES (Notes 4, 6(v) and 7)	\$ 81,649,070	100	78,928,492	100
5000 OPERATING COSTS (Notes 4, 7 and 12)	52,822,024	65	51,265,449	65
GROSS PROFIT FROM OPERATIONS	28,827,046	35	27,663,043	35
5910 Unrealized gain on sales	42,761	-	33,405	-
5920 Realized gain on sales	30,533	-	-	-
5950 NET GROSS PROFIT FROM OPERATIONS	28,814,818	35	27,629,638	35
6000 OPERATING EXPENSES (Notes 4, 7 and 12)				
6100 Marketing	20,018,364	24	15,989,050	20
6200 Administrative	3,135,187	4	3,435,206	4
	23,153,551	28	19,424,256	24
6500 NET OTHER INCOME AND EXPENSES (Note 6(w))	52,013	-	52,635	-
6900 NET OPERATING INCOME	5,713,280	7	8,258,017	11
NON-OPERATING INCOME AND EXPENSES (Notes 4, 6(x) and 7)				
7010 Other income	550,826	1	229,807	-
7020 Other gains and losses, net	(955,375)	(1)	(1,318,154)	(2)
7050 Finance costs	(599,276)	(1)	(444,094)	(1)
7060 Share of profit of subsidiaries and associates accounted for using equity method	11,031,482	13	9,862,077	13
7000 Total non-operating income and expenses	10,027,657	12	8,329,636	10
7900 PROFIT BEFORE TAX	15,740,937	19	16,587,653	21
7950 TAX EXPENSE (Notes 4 and 6(s))	735,509	1	1,004,206	1
8200 PROFIT	15,005,428	18	15,583,447	20
8300 OTHER COMPREHENSIVE INCOME (LOSS)				
8325 Unrealized gains (losses) on available-for-sale financial assets	(390,994)	(1)	(3,043)	-
8360 Actuarial losses on defined benefit plans	(14,791)	-	(17,260)	-
8370 Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	(330,879)	-	89,290	-
8399 Income tax generated from other comprehensive income	2,515	-	2,934	-
8300 OTHER COMPREHENSIVE INCOME (AFTER TAX)	(734,149)	(1)	71,921	-
8500 COMPREHENSIVE INCOME	\$ 14,271,279	17	15,655,368	20
EARNINGS PER SHARE (Note 6(u))				
9750 BASIC	\$ 5.56		5.79	
9850 DILUTED	\$ 5.55		5.78	

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

TAIWAN MOBILE CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

Account Number	Ordinary Shares	Capital Surplus	Retained Earnings		Other Equity Interests		Treasury Shares	Total Equity	
			Legal Reserve	Unappropriated	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-Sale Financial Assets			
A1	BALANCE, JANUARY 1, 2013	\$ 34,208,328	12,431,851	18,061,894	22,606,173	25,483	314,543	(31,077,183)	56,571,089
	Distribution of retained earnings for the year ended December 31, 2012 (Note 1):								
B1	Legal reserve	-	-	1,469,160	(1,469,160)	-	-	-	-
B5	Cash dividends	-	-	-	(14,526,578)	-	-	-	(14,526,578)
B5	Legal reserve used to distribute cash dividends	-	-	(269,010)	-	-	-	-	(269,010)
	Total distribution of retained earnings	-	-	1,200,150	(15,995,738)	-	-	-	(14,795,588)
D1	Profit for the year ended December 31, 2013	-	-	-	15,583,447	-	-	-	15,583,447
D3	Other comprehensive income for the year ended December 31, 2013	-	-	-	(735)	(535)	73,191	-	71,921
D5	Total comprehensive income for the year ended December 31, 2013	-	-	-	15,582,712	(535)	73,191	-	15,655,368
C7	Changes in equity of associates accounted for using equity method	-	25,040	-	-	-	-	-	25,040
M7	Adjustments arising from changes in percentage of ownership of subsidiaries	-	-	-	(22,015)	-	-	-	(22,015)
Z1	BALANCE, DECEMBER 31, 2013	34,208,328	12,456,891	19,262,044	22,171,132	24,948	387,734	(31,077,183)	57,433,894
	Distribution of retained earnings for the year ended December 31, 2013 (Note 2):								
B1	Legal reserve	-	-	2,275,622	(2,275,622)	-	-	-	-
B5	Cash dividends	-	-	-	(15,064,599)	-	-	-	(15,064,599)
	Total distribution of retained earnings	-	-	2,275,622	(17,340,221)	-	-	-	(15,064,599)
D1	Profit for the year ended December 31, 2014	-	-	-	15,005,428	-	-	-	15,005,428
D3	Other comprehensive income for the year ended December 31, 2014	-	-	-	(18,481)	6,346	(722,014)	-	(734,149)
D5	Total comprehensive income for the year ended December 31, 2014	-	-	-	14,986,947	6,346	(722,014)	-	14,271,279
C7	Changes in equity of associates accounted for using equity method	-	1,665	-	-	-	-	-	1,665
L7	Disposal of TWM's shares by subsidiaries	-	1,520,403	-	-	-	-	1,359,839	2,880,242
M5	Difference between consideration and carrying amount of subsidiaries' shares disposed of	-	85,965	-	-	-	-	-	85,965
M7	Adjustments arising from changes in percentage of ownership of subsidiaries	-	650,906	-	-	-	-	-	650,906
Z1	BALANCE, DECEMBER 31, 2014	\$ 34,208,328	14,715,830	21,537,666	19,817,858	31,294	(334,280)	(29,717,344)	60,259,352

Note 1: The remuneration to directors of \$39,667 thousand and the bonus to employees of \$396,673 thousand have been expensed and deducted from 2012 earnings.

Note 2: The remuneration to directors of \$42,075 thousand and the bonus to employees of \$420,753 thousand have been expensed and deducted from 2013 earnings.

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

TAIWAN MOBILE CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES	\$ 15,740,937	16,587,653
A10000 Profit before tax		
A20000 Adjustments		
A20010 Adjustments to reconcile profit (loss)		
A22400 Share of profit of subsidiaries and associates accounted for using equity method	(11,031,482)	(9,862,077)
A20100 Depreciation expense	7,600,128	7,008,086
A20200 Amortization expense	1,505,417	994,221
A22500 Loss on disposal of property, plant and equipment, net	950,715	1,285,754
A20900 Finance costs	599,276	444,094
A20300 Provision for bad debt expense	334,960	286,698
A23900 Unrealized gain on sales	42,761	33,405
A24000 Realized gain on sales	(30,533)	-
A21200 Interest income	(18,531)	(38,975)
A21300 Dividend income	(9,835)	(11,628)
A20010 Total adjustments to reconcile profit (loss)	<u>(57,124)</u>	<u>139,578</u>
A30000 Changes in operating assets and liabilities		
A31150 Accounts and notes receivable	1,164,238	(941,074)
A31160 Accounts receivable from related parties	1,482,803	(1,704,873)
A31180 Other receivables	(46,827)	211,472
A31190 Other receivable from related parties	14,616	(542,393)
A31200 Inventories	283,667	(334,014)
A31230 Prepayments	106,139	(15,923)
A31240 Other current assets	(9)	1,900
A32150 Accounts payable	328,320	(733,372)
A32160 Accounts payable to related parties	(5,370)	25,757
A32180 Other payables	(1,001,011)	488,164
A32200 Provisions	(5,416)	(5,845)
A32210 Advance receipts	(245,267)	(294,734)
A32230 Other current liabilities	549,000	419,300
A32240 Accrued pension liabilities	(15,387)	860
A30000 Total changes in operating assets and liabilities	<u>2,609,496</u>	<u>(3,424,775)</u>
A33000 Net cash inflows generated from operating activities	<u>18,293,309</u>	<u>13,302,456</u>
A33100 Interest received	1,510	-
A33300 Interest paid	(4,351)	(1,134)
A33350 Income taxes paid	(1,056,066)	(1,103,859)
AAAA Net cash flows from operating activities	\$ <u>17,234,402</u>	<u>12,197,463</u>

(Continued)

TAIWAN MOBILE CO., LTD.
STATEMENTS OF CASH FLOW(Continued)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
B02700 Acquisition of property, plant and equipment	(9,196,218)	(6,776,085)
B07100 Increase in prepayments for equipment	(280,962)	(137,989)
B04500 Acquisition of intangible assets	(108,375)	(29,148,300)
B01800 Acquisition of investments accounted for using equity method	(3,172,155)	(1,153,350)
B00300 Acquisition of available-for-sale financial assets	(2,980,000)	-
B04300 Increase in financing provided to investees	(2,920,000)	(4,445,000)
B04400 Decrease in financing provided to investees	5,005,000	4,190,000
B03700 Increase in refundable deposits	(125,248)	(109,629)
B03800 Decrease in refundable deposits	94,717	88,819
B04600 Proceeds from disposal of intangible assets	12,660	20,394
B02800 Proceeds from disposal of property, plant and equipment	12,484	33,005
B01400 Proceeds from investees' capital reduction	43,274	-
B07500 Interest received	26,943	33,085
B07600 Dividend received	9,717,061	5,240,570
B06500 Increase in other financial assets	-	(720)
BBBB Net cash used in investing activities	<u>(3,870,819)</u>	<u>(32,165,200)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
C00100 Increase in short-term borrowings	109,300,000	71,900,000
C00200 Decrease in short-term borrowings	(122,200,000)	(44,400,000)
C03700 Proceeds of financing from investee	21,070,000	7,270,000
C03800 Repayment of financing from investee	(17,460,000)	(7,400,000)
C00500 Increase in short-term notes and bills payable	19,067,020	3,894,957
C00600 Decrease in short-term notes and bills payable	(15,874,202)	(1,498,542)
C01600 Proceeds from long-term borrowings	10,000,000	3,000,000
C01700 Repayments of long-term borrowings	(1,000,000)	-
C03000 Increase in guarantee deposits received	110,213	119,069
C03100 Decrease in guarantee deposits received	(127,049)	(126,859)
C04500 Cash dividends paid	(15,064,590)	(14,795,584)
C05600 Interest paid	(619,211)	(344,979)
C01200 Proceeds from issuance of bonds	-	5,796,043
C01300 Repayments of bonds	-	(4,000,000)
CCCC Net cash flows from (used in) financing activities	<u>(12,797,819)</u>	<u>19,414,105</u>
EEEE NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	565,764	(553,632)
E00100 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	601,723	1,155,355
E00200 CASH AND CASH EQUIVALENTS AT END OF YEARS	<u><u>1,167,487</u></u>	<u><u>601,723</u></u>

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

(Concluded)

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

1. ORGANIZATION AND OPERATIONS

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

TWM's received a second-generation (2G) mobile telecommunications concession operation license issued by the Directorate General of Telecommunications (DGT) of the ROC. The license allows TWM to provide services for 15 years from 1997 onwards. The license was renewed and its expiry date was extended to June 2017 by the National Communications Commission (NCC) in November 2012. In March 2005, TWM received a third-generation (3G) concession operation license issued by the DGT. The 3G license allows TWM to provide services from the issuance date of the license to December 2018.

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

In January 2014, TWM was approved to acquire a Mobile Broadband Spectrum frequency of 5 MHz x 2 in the 700 MHz frequency band by the NCC. Please refer to note 11 "Significant subsequent events".

2. APPROVAL DATE AND PROCEDURES OF THE NON-CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the non-consolidated financial statements on January 29, 2015.

3. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

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

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

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

(1) IAS 19 *Employee Benefits*

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

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

liabilities would increase by \$311 thousand and retained earnings would decrease by \$258 thousand on January 1, 2014; accrued pension liabilities would increase by \$289 thousand and retained earnings would decrease by \$240 thousand on December 31, 2014, operating expenses would increase by \$562 thousand and actuarial gains on defined benefit plans, before tax would increase by \$584 thousand in other comprehensive income for the year ended December 31, 2014.

(2) *IAS 1 Presentation of Financial Statements*

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

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

IFRS 12 combines all related standards regarding the disclosures of financial reports of subsidiaries, joint ventures, associates, and non-consolidated entities.

(4) *IFRS 13 Fair Value Measurement*

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

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

New Standards, Amendments and Interpretations	Effective Date Issued by IASB
<i>IFRS 9 Financial Instruments</i>	January 1, 2018
<i>IFRS 14 Regulatory Deferral Accounts</i>	January 1, 2016
<i>IFRS 15 Revenue from Contracts with Customers</i>	January 1, 2017
<i>Amended IAS 1 Disclosure Initiative</i>	January 1, 2016
<i>Amended IFRS 9 and IFRS 7 Mandatory Effective Date and Offsetting Disclosures</i>	January 1, 2018

(continued)

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

<u>New Standards, Amendments and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amended IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	January 1, 2016
Amended IFRS 10, IFRS 12 and IAS 28 <i>Investment Entities: Applying the Consolidation Exception</i>	January 1, 2016
Amended IFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	January 1, 2016
Amended IAS 16 and IAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortization</i>	January 1, 2016
Amended IAS 16 and IAS 41 <i>Agriculture: Bearer Plants</i>	January 1, 2016
Amended IAS 19 <i>Defined Benefit Plans: Employee Contributions</i>	July 1, 2014
Amended IAS 36 <i>Recoverable Amount Disclosure for Non-Financial Assets</i>	January 1, 2014
Amended IAS 39 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	January 1, 2014
IFRIC 21 <i>Levies</i>	January 1, 2014 (concluded)

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The non-consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (the Guidelines).

Basis of Preparation

a. Basis of measurement

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

b. Functional and presentation currency

The functional currency is determined based on the primary economic environment in

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

which the entity operates. The non-consolidated financial statements are presented in New Taiwan Dollars, which is TWM's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

Foreign Currency

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

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

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

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

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

Classification of Current and Non-current Assets and Liabilities

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

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

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

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

Voluntary Change in Accounting Policy

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

Cash and Cash Equivalents

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

Financial Instruments

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

- a. Financial assets

TWM adopts trade-date accounting to recognize and derecognize financial assets. Financial assets are classified into the following categories: available-for-sale financial assets and loans and receivables.

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(1) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus any directly attributable transaction cost, and changes are measured at fair value afterwards. Impairment losses, dividend income, and changes in the carrying amount of available-for-sale financial assets from foreign exchange gains or losses and interest income using the effective interest method are recognized in profit and loss, while other changes in carrying amount are recognized in other comprehensive income and presented in unrealized gain (loss) on available-for-sale financial assets in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expenses.

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

(2) Loans and receivables

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

Loans and receivables comprise cash and cash equivalents, trade receivables, other receivables, debt instrument investment without active market, other financial assets, and refundable deposits.

(3) Impairment of financial assets

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

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to TWM on terms that TWM would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

addition, for an available-for-sale investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

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

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

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

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

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

(4) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

b. Financial liabilities

(1) Recognition

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

(2) Derecognition of financial liabilities

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

Inventories

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

Investment in Associates

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

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

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

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

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

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

Subsidiaries

The subsidiaries which TWMM holds for control are measured under the equity method in the financial statements. Under the equity method, the net income, other comprehensive income, and equity in the separate financial statements are equivalent to the net income, other comprehensive income, and equity attributable to the owners of the parent in the consolidated financial statements.

Changes in ownership of the subsidiaries are recognized as equity transactions.

Property, Plant and Equipment

a. Recognition and measurement

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

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

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

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as profit and loss.

b. Reclassification to investment property

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

c. Subsequent cost

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

d. Depreciation

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

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

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

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

Investment Property

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

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

Leases

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

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

Intangible Assets

a. Goodwill

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

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

b. Other intangible assets

Other intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

c. Amortization

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

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

Impairment of Non-financial Assets

TWM measures whether impairment occurred in non-financial assets (except for inventories, deferred income tax assets, and employee benefits) on every reporting date, and estimates the recoverable amount. If it is not possible to determine the recoverable amount (fair value less

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cost to sell and value in use) for the individual asset, then TWMM will determine the recoverable amount for the asset's cash-generating unit.

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

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

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

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

Provisions

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

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

Treasury Shares

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

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

Employee Benefits

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

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

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

The rate used to discount post-employment benefit obligations is determined by reference to market yields at the end of the reporting period on high-quality corporate bonds or

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government bonds. The currency and term of the bonds are consistent with those of the obligations.

Income Tax

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

a. Current taxes

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

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

b. Deferred taxes

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

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

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

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

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

Revenue

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

- a. Service revenues from mobile communication services, wireless services, and value-added services, net of any applicable discount, are billed at predetermined rates.
- b. Sales of goods

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

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

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

c. Customer loyalty program

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

d. Commissions

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

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

e. Dividend and interest income

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

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

Business Combination

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the non-consolidated financial statements in conformity with the Guidelines requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

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

TWM has not recognized any impairment loss for the years ended December 31, 2014 and 2013.

b. Impairment assessment of goodwill

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

As of December 31, 2014 and 2013, the carrying value of goodwill amounted to \$7,121,871 thousand. TWM has not recognized any impairment loss on goodwill for the years ended December 31, 2014 and 2013.

c. Impairment assessment of investments accounted for using equity method

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

TWM has not recognized any impairment loss on investments accounted for using equity method for the years ended December 31, 2014 and 2013.

d. Income tax

The realizability of deferred income tax assets (liabilities) depends on sufficient future

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profits or a taxable temporary difference. Any changes in the industry environment or amendments of law can result in significant adjustment of deferred income tax.

As of December 31, 2014 and 2013, the carrying value of deferred income tax assets amounted to \$779,560 thousand and \$815,573 thousand, respectively; and the carrying value of deferred income tax liabilities amounted to \$1,313,577 thousand and \$1,744,211 thousand, respectively.

e. Useful lives of property, plant and equipment

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

f. Impairment assessment of accounts receivable

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

As of December 31, 2014 and 2013, the carrying value of accounts receivable amounted to \$10,606,296 thousand and \$11,804,813 thousand, respectively. They were the net amounts after subtracting the allowances for doubtful accounts amounting to \$228,697 thousand and \$263,918 thousand, respectively.

6. DESCRIPTION OF SIGNIFICANT ACCOUNTS

a. Cash and cash equivalents

	<u>2014.12.31</u>	<u>2013.12.31</u>
Cash in banks	\$ 729,570	431,763
Time deposits	392,887	11,960
Government bonds with repurchase rights	45,000	158,000
Revolving funds	30	-
	<u>\$ 1,167,487</u>	<u>601,723</u>

b. Current and non-current available-for-sale financial assets

	<u>2014.12.31</u>	<u>2013.12.31</u>
Domestic listed stock	\$ 204,310	202,354
Domestic unlisted stock	\$ 2,587,050	-

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

c. Non-current financial assets at cost

	2014.12.31	2013.12.31
Foreign unlisted stock	\$ 7,050	50,324

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

For the years ended December 31, 2014 and 2013, there was no impairment loss.

d. Accounts and notes receivable, net

	2014.12.31	2013.12.31
Notes receivable	\$ 528	2,774
Accounts receivable	10,834,993	12,068,731
Less: allowance for doubtful accounts	(228,697)	(263,918)
Accounts receivable, net	10,606,296	11,804,813
Total	\$ 10,606,824	11,807,587

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

	Amount of Accounts Receivable Sold	Proceeds of the Sale of Accounts Receivable
<u>January 2014</u>		
Long Sun Asset Management Co., Ltd.	\$ 988,347	42,499
<u>January 2013</u>		
Hui Cheng First Asset Management Co., Ltd.	\$ 1,238,163	40,116

The accounts receivable aging analysis of TWM was as follows:

	2014.12.31	2013.12.31
Neither past due nor impaired	\$ 10,327,243	11,517,099
Past due but not impaired		
Past due within 180 days	279,053	283,805
Past due over 180 days	-	3,909
	\$ 10,606,296	11,804,813

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Movements of allowance for doubtful receivables for the years ended December 31, 2014 and 2013, were as follows:

	For the Years Ended December 31	
	2014	2013
Beginning balance	\$ 263,918	257,724
Add: Provision	317,187	262,779
Reversal	112,886	120,169
Less: Write-off	(465,294)	(376,754)
Ending balance	\$ 228,697	263,918

e. Inventories

	2014.12.31	2013.12.31
Merchandise	\$ 1,999,682	2,283,349

For the years ended December 31, 2014 and 2013, the cost of goods sold recognized in comprehensive income amounted to \$24,463,513 thousand and \$23,565,134 thousand, respectively, which included the inventory write-downs amounting to \$28,232 thousand and recovery amounting to \$22,766 thousand, respectively. The value of the inventories was recovered by clearing the inventories in the year 2013.

f. Investments accounted for using equity method

	2014.12.31	2013.12.31
Subsidiaries	\$ 47,261,992	37,917,583
Associates		
Taipei New Horizon Co., Ltd.(TNH)	-	1,566,952
Alliance Digital Tech Co., Ltd. (ADT)	23,139	28,514
	\$ 47,285,131	39,513,049

(1) Subsidiaries

Please refer to the consolidated financial statements for the years ended December 31, 2014 and 2013.

(2) Associates

Financial information on TWM's associates was as follows:

	2014.12.31	2013.12.31
Total assets	\$ 187,143	7,768,095
Total liabilities	\$ 13,598	4,478,376

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	For the Years Ended	
	December 31	
	2014	2013
Operating revenues	<u>\$ 42,355</u>	<u>2,875,023</u>
Profit	<u>\$ (64,188)</u>	<u>143,215</u>
Share of losses of associates accounted for using equity method	<u>\$ (16,876)</u>	<u>(69,725)</u>

(1) TNH

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

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

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

(2) ADT

In November 2013, TWM acquired 19.23% of ADT.

In 2014, TWM held 13.33% of ADT due to not subscribing for new shares.

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

g. Acquisition of subsidiaries

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

Assets acquired and liabilities assumed

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

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

h. Property, plant and equipment

Movements of the cost, depreciation, and impairment of property, plant and equipment of TWM for the years ended December 31, 2014 and 2013, were as follows:

	Land	Buildings	Telecommunication equipment	Miscellaneous equipment	Construction in progress and equipment to be inspected	Total
Cost:						
Balance, January 1, 2014	\$ 4,268,702	2,612,273	63,138,694	4,571,722	1,793,869	76,385,260
Additions	-	-	59,519	328,317	10,284,580	10,672,416
Reclassification	944,263	395,524	8,962,996	116,320	(9,079,632)	1,339,471
Disposals	-	-	(6,058,462)	(73,691)	(7,218)	(6,139,371)
Balance, December 31, 2014	\$ 5,212,965	3,007,797	66,102,747	4,942,668	2,991,599	82,257,776
Balance, January 1, 2013	\$ 4,040,056	2,551,870	61,272,984	4,243,731	2,581,974	74,690,615
Additions	-	-	114,199	338,225	6,755,580	7,208,004
Reclassification	228,646	60,403	7,471,680	60,045	(7,532,341)	288,433
Disposals	-	-	(5,720,169)	(70,279)	(11,344)	(5,801,792)
Balance, December 31, 2013	\$ 4,268,702	2,612,273	63,138,694	4,571,722	1,793,869	76,385,260
Accumulated depreciation and impairment:						
Balance, January 1, 2014	\$ 59,376	842,123	43,348,134	3,160,262	-	47,409,895
Depreciation	-	69,961	7,040,623	477,016	-	7,587,600
Reclassification	-	142,263	(51,578)	51,578	-	142,263
Disposals	-	-	(5,117,069)	(59,103)	-	(5,176,172)
Balance, December 31, 2014	\$ 59,376	1,054,347	45,220,110	3,629,753	-	49,963,586

(continued)

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	<u>Land</u>	<u>Buildings</u>	<u>Telecommunication equipment</u>	<u>Miscellaneous equipment</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
Balance, January 1, 2013	\$ 67,280	760,044	41,366,103	2,697,422	-	44,890,849
Depreciation	-	64,926	6,434,764	491,340	-	6,991,030
Reclassification	(7,904)	17,153	-	1,800	-	11,049
Disposals	-	-	(4,452,733)	(30,300)	-	(4,483,033)
Balance, December 31, 2013	<u>\$ 59,376</u>	<u>842,123</u>	<u>43,348,134</u>	<u>3,160,262</u>	-	<u>47,409,895</u>
Carrying amount:						
Balance, December 31, 2014	<u>\$ 5,153,589</u>	<u>1,953,450</u>	<u>20,882,637</u>	<u>1,312,915</u>	<u>2,991,599</u>	<u>32,294,190</u>
Balance, December 31, 2013	<u>\$ 4,209,326</u>	<u>1,770,150</u>	<u>19,790,560</u>	<u>1,411,460</u>	<u>1,793,869</u>	<u>28,975,365</u>

(concluded)

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

(a) Buildings

Primary buildings 50~55 years

Mechanical and electrical equipment 15 years

(b) Telecommunication equipment 2~15 years

(c) Miscellaneous equipment 2~20 years

(2) The non-cash investing activities of TWM for the years ended December 31, 2014 and 2013, were as follows:

	For the Years Ended December 31	
	<u>2014</u>	<u>2013</u>
Acquisition of property, plant and equipment	\$ 10,672,416	7,208,004
Changes in other payables	(1,416,746)	(317,854)
Changes in provisions	(59,452)	(114,065)
Cash paid for acquisition of property, plant and equipment	<u>\$ 9,196,218</u>	<u>6,776,085</u>

i. Investment property

	<u>2014.12.31</u>	<u>2013.12.31</u>
Land:		
Cost	<u>\$ 393,709</u>	<u>1,337,972</u>
Buildings:		
Cost	\$ 254,062	649,585
Accumulated depreciation	92,805	222,539
Carrying amount	<u>\$ 161,257</u>	<u>427,046</u>

(Continued)

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	2014.12.31	2013.12.31
Total investment property	\$ 554,966	1,765,018
Fair value	\$ 1,566,181	3,300,725
Capitalization rate	1.06%~5.07%	1.19%~4.92%
		(Concluded)

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

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

j. Intangible assets

The cost, amortization, and impairment of intangible assets of TWM for the years ended December 31, 2014 and 2013, were as follows:

	Concession license	Goodwill	Computer software	Total
Cost:				
Balance, January 1, 2014	\$39,291,000	7,121,871	1,579,154	47,992,025
Addition	-	-	108,375	108,375
Disposals	-	-	(15,670)	(15,670)
Reclassification	-	-	280,029	280,029
Balance, December 31, 2014	\$39,291,000	7,121,871	1,951,888	48,364,759
Balance, January 1, 2013	\$10,281,000	7,121,871	1,315,126	18,717,997
Addition	29,010,000	-	138,300	29,148,300
Disposals	-	-	(54,782)	(54,782)
Reclassification	-	-	180,510	180,510
Balance, December 31, 2013	\$39,291,000	7,121,871	1,579,154	47,992,025
Amortization:				
Balance, January 1, 2014	\$ 6,542,455	-	1,202,527	7,744,982
Amortization	1,242,548	-	246,869	1,505,417
Disposals	-	-	(3,010)	(3,010)
Balance, December 31, 2014	\$ 7,785,003	-	1,462,386	9,247,389
Balance, January 1, 2013	\$ 5,794,746	-	990,403	6,785,149
Amortization	747,709	-	246,512	994,221
Disposals	-	-	(34,388)	(34,388)
Balance, December 31, 2013	\$ 6,542,455	-	1,202,527	7,744,982
Carrying amounts:				
Balance, December 31, 2014	\$31,505,997	7,121,871	489,502	39,117,370
Balance, December 31, 2013	\$32,748,545	7,121,871	376,627	40,247,043

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

(1) 4G concession license	16 years and 4 months ~16 years and 7 months
(2) 3G concession license	13 years and 9 months
(3) Computer software	2~3 years

(1) 4G concession license

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

(2) Goodwill

The goodwill resulted from the merger of TransAsian Telecommunications Inc. (TAT) in September 2008.

In conformity with IAS 36 *Impairment of Assets*, TWM identified mobile communication service as the smallest identifiable units which can generate cash inflows independently.

The recoverable amounts of the operating assets and intangible assets were evaluated by the critical assumptions, which were as follows:

a. Assumptions on cash flows

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

b. Assumptions on operating revenues

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

c. Assumptions on operating costs and expenses

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

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

d. Assumptions on discount rate

For the years ended December 31, 2014 and 2013, the discount rate used to calculate the asset recoverable amounts of TWM was 5.56% and 4.68%, respectively.

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

k. Other non-current assets

	2014.12.31	2013.12.31
Long-term accounts receivable	\$ 2,248,006	2,546,264
Refundable deposits	430,750	400,218
Prepayments for equipment	66,946	43,960
Other financial assets	720	720
	\$ 2,746,422	2,991,162

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

	2014.12.31	
	Annual interest rate	Amount
Unsecured loans—financial institutions	0.83%~1.08%	\$ 17,600,000
Unsecured loans—related parties	1.29478%~1.29789%	10,280,000
		\$ 27,880,000
Short-term notes and bills payable	0.868%~0.915%	\$ 5,600,000
Less: Discount on short-term notes and bills payable		(6,969)
		\$ 5,593,031
	2013.12.31	
	Annual interest rate	Amount
Unsecured loans—financial institutions	0.83%~1.15%	\$ 30,500,000
Unsecured loans—related parties	1.183%~1.196%	6,670,000
		\$ 37,170,000
Short-term notes and bills payable	0.62%~0.72%	\$ 2,400,000
Less: Discount on short-term notes and bills payable		(3,029)
		\$ 2,396,971

For financial risk information of TWM, please refer to Note 6(aa); for the information on

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

loans from related parties, please refer to Note 7.

m. Advance receipts

	2014.12.31	2013.12.31
Advance receipts from customers	\$ 1,606,359	1,854,177
Deferred customer loyalty revenues	51,137	47,879
Others	16,189	71,907
	\$ 1,673,685	1,973,963

In accordance with the NCC's policy, TWM entered into a contract with First Commercial Bank Co., Ltd. which provided a performance guarantee for advance receipts from prepaid cards and electronic gift certificates amounting to \$524,500 thousand and \$11,609 thousand, respectively, as of December 31, 2014.

n. Bonds payable

	2014.12.31	2013.12.31
3rd domestic unsecured bonds	\$ 8,996,692	8,995,936
4th domestic unsecured bonds	5,797,601	5,796,711
	\$ 14,794,293	14,792,647

(1) 3rd domestic unsecured bonds

On December 20, 2012, TWM authorized Hua Nan Commercial Bank as a trustee to issue \$9,000,000 thousand of seven-year 3rd domestic unsecured bonds, each having a face value of \$10,000 thousand and a coupon rate of 1.34% per annum, with simple interest due annually. Repayment will be made in the sixth and seventh years with equal installments, i.e., \$4,500,000 thousand. As of December 31, 2014, the amount of unamortized bond issue cost was \$3,308 thousand.

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

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

(2) 4th domestic unsecured bonds

On April 25, 2013, TWM authorized Hua Nan Commercial Bank as a trustee to issue \$5,800,000 thousand of five-year 4th domestic unsecured bonds, each having a face value of \$10,000 thousand and a coupon rate of 1.29% per annum, with simple interest

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

due annually. Repayment will be made in the fourth and fifth years with equal installments, i.e., \$2,900,000 thousand. As of December 31, 2014, the amount of unamortized bond issue cost was \$2,399 thousand.

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

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

o. Long-term borrowings

	2014.12.31	
	Annual interest rate	Amount
Unsecured loans – financial institutions	1.05%~1.095%	\$ 12,000,000
Less: current portion	1.05%	(2,000,000)
		\$ 10,000,000

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

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

p. Provisions

	2014.12.31	2013.12.31
Current	\$ 118,947	109,116
Non-current	616,959	564,470
	\$ 735,906	673,586

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The changes in provisions for the years ended December 31, 2014 and 2013, were as follows:

	For the Years Ended	
	December 31	
	2014	2013
Beginning balance	\$ 673,586	556,202
Provision	63,903	122,600
Unwinding of discount	8,284	9,165
Payment	(4,051)	(8,042)
Reversal	(5,816)	(6,339)
Ending balance	\$ 735,906	673,586

q. Operating lease

(1) Lessee

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

	2014.12.31	2013.12.31
Less than one year	\$ 2,870,057	2,614,701
Between one and five years	4,718,876	4,688,430
Over five years	24,633	30,953
	\$ 7,613,566	7,334,084

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

As of December 31, 2014 and 2013, TWM anticipated it would receive total future minimum sublease payments under the non-cancellable sublease contracts in the amount of \$1,346,575 thousand and \$1,616,357 thousand, respectively.

The payment of leases and subleases, recognized as gains or losses, was as follows:

	For the Years Ended	
	December 31	
	2014	2013
Minimum lease payment	\$ 3,176,487	2,788,581
Sublease payment	(595,089)	(279,119)
	\$ 2,581,398	2,509,462

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Lessor

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

	<u>2014.12.31</u>	<u>2013.12.31</u>
Less than one year	\$ 52,772	124,556
Between one and five years	11,701	29,782
Over five years	-	405
	<u>\$ 64,473</u>	<u>154,743</u>

r. Employee benefits

(1) Defined benefit plan

The present value of the defined benefit obligations and fair value of plan assets are as follows:

	<u>2014.12.31</u>	<u>2013.12.31</u>
Present value of defined benefit obligations	\$ 498,948	486,172
Fair value of plan assets	(470,373)	(456,979)
Unfunded defined benefit obligation	28,575	29,193
Unrecognized prior service cost	(289)	(311)
Accrued pension liability	<u>\$ 28,286</u>	<u>28,882</u>

TWM established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on an employee's length of service and average monthly salary for six-month period prior to retirement.

(a) Composition of plan assets

According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", with regard to the utilization of the Fund, its minimum earnings in the annual distributions shall be no less than the earnings attainable from two-year time deposits with the interest rates offered by local banks.

The information related to the pension fund includes the asset allocation and yield of the fund. Please refer to the information published on the website of the Council of Labor Affairs.

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(b) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the years ended December 31, 2014 and 2013, were as follows:

	For the Years Ended December 31	
	2014	2013
Defined benefit obligation, January 1	\$ 486,172	471,990
Benefits unpaid by the plan	(14,372)	(9,654)
Current service costs	1,725	2,400
Interest cost	9,116	7,080
Actuarial losses	16,307	14,356
Defined benefit obligation, December 31	\$ 498,948	486,172

(c) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the years ended December 31, 2014 and 2013, were as follows:

	For the Years Ended December 31	
	2014	2013
Fair value of plan assets, January 1	\$ 456,979	460,895
Contributions made	16,910	-
Benefits paid by the plan	(14,372)	(9,654)
Expected return on plan assets	9,340	8,642
Actuarial gains (losses)	1,516	(2,904)
Fair value of plan assets, December 31	\$ 470,373	456,979

(d) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2014 and 2013, were as follows:

	For the Years Ended December 31	
	2014	2013
Current service costs	\$ 1,725	2,400
Interest cost	9,116	7,080
Past service costs	22	22
Expected return on plan assets	(9,340)	(8,642)
	\$ 1,523	860

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	For the Years Ended	
	December 31	
	2014	2013
Actual return on plan assets	\$ 10,855	5,739

- (e) The pre-tax actuarial gains (losses) recognized in other comprehensive income TWM's pre-tax actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2014 and 2013, were as follows:

	For the Years Ended	
	December 31	
	2014	2013
Cumulative amount, January 1	\$ 37,206	19,946
Recognized during the period	14,791	17,260
Cumulative amount, December 31	\$ 51,997	37,206

- (f) Actuarial assumptions

The following are the principal actuarial assumptions at the measurement date:

	2014.12.31	2013.12.31
Discount rate	1.875%	1.875%
Expected return on plan assets	2.00%	2.00%
Long-term average adjustment rate of salary	2.75%	2.75%

The expected rate of return of plan assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

TWM expected \$20,749 thousand in contributions to be paid to its benefit plans within a year of the December 31, 2014, reporting date.

- (g) Historical information

	2014.12.31	2013.12.31	2012.12.31	2012.1.1
Present value of the defined benefit obligation	\$ (498,948)	(486,172)	(471,990)	(446,193)
Fair value of plan assets	470,373	456,979	460,895	429,245
Deficit in the plan	\$ (28,575)	(29,193)	(11,095)	(16,948)
Experience adjustments arising on plan liabilities	\$ (16,307)	(14,356)	(15,524)	-
Experience adjustments arising on plan assets	\$ 1,516	(2,904)	(4,422)	-

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Defined contribution plans

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

TWM's contribution to the pension plan amounted to \$103,665 thousand and \$113,417 thousand for the years ended December 31, 2014 and 2013, respectively.

s. Income tax

(1) Income tax expense recognized in profits or losses

	For the Years Ended December 31	
	2014	2013
Current income tax expense		
Current period	\$ 947,931	945,214
Prior years' adjustment on current income tax	179,684	(75,077)
	1,127,615	870,137
Deferred income tax expense		
Current period	(228,406)	134,069
Reversal of temporary difference	(163,700)	-
	(392,106)	134,069
Income tax expense	\$ 735,509	1,004,206

(2) Income tax recognized in other comprehensive income

	For the Years Ended December 31	
	2014	2013
Deferred income tax income		
Defined benefit plan actuarial gains and losses	\$ (2,515)	(2,934)

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

	For the Years Ended December 31	
	2014	2013
Profit before tax	\$ 15,740,937	16,587,653
Income tax expense at domestic statutory tax rate	2,675,959	2,819,901
Investments accounted for using equity method, net	(1,875,352)	(1,676,553)
Temporary differences	216,424	(179,164)
Deferred income taxes	(392,106)	134,069
Prior years' adjustment	179,684	(75,077)
Investment tax credit	(48,001)	-
Others	(21,099)	(18,970)
	\$ 735,509	1,004,206

(4) Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2014 and 2013, were as follows:

Deferred Tax Assets:

	Property, Plant and Equipment	Accrued Pension Liabilities	Others	Total
Balance, January 1, 2014	\$ 731,100	9,746	74,727	815,573
Recognized in profit or loss	(71,716)	-	33,188	(38,528)
Recognized in other comprehensive income	-	2,515	-	2,515
Balance, December 31, 2014	\$ 659,384	12,261	107,915	779,560
Balance, January 1, 2013	\$ 857,820	6,812	99,695	964,327
Recognized in profit or loss	(126,720)	-	(24,968)	(151,688)
Recognized in other comprehensive income	-	2,934	-	2,934
Balance, December 31, 2013	\$ 731,100	9,746	74,727	815,573

Deferred Tax Liabilities:

	Accounts Receivable	Intangible Assets	Others	Total
Balance, January 1, 2014	\$ 1,325,422	413,160	5,629	1,744,211
Recognized in profit or loss	(320,912)	(116,926)	7,204	(430,634)
Balance, December 31, 2014	\$ 1,004,510	296,234	12,833	1,313,577
Balance, January 1, 2013	\$ 1,404,763	335,693	21,374	1,761,830
Recognized in profit or loss	(79,341)	77,467	(15,745)	(17,619)
Balance, December 31, 2013	\$ 1,325,422	413,160	5,629	1,744,211

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Integrated income tax information was as follows:

	2014.12.31	2013.12.31
Balance of TWM's imputation credit account (ICA)	\$ 1,234,356	1,312,654

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

The estimated tax creditable ratio for 2014 and actual tax creditable ratio for 2013 were 16.09% and 14.14%, respectively, based on Decree No. 10204562810 announced on October 17, 2013, by the Ministry of Finance of the Republic of China. Under the Integrated Income Tax System, ROC resident shareholders are allowed a tax credit for the income tax paid by TWM. An imputation credit account (ICA) is maintained by TWM for such income tax, and a tax credit is allocated to each shareholder. Actual allocation of the imputation credit account is based on the balance on the date of dividend distribution. Therefore, the estimated tax creditable ratio may differ from the actual tax creditable ratio for the 2014 earnings appropriation.

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

t. Capital and other equity

(1) Ordinary shares

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

(2) Capital surplus

	2014.12.31	2013.12.31
Additional paid-in capital from convertible corporate bonds	\$ 8,775,820	8,775,820
Treasury share transactions	5,159,704	3,639,301
Difference between consideration and carrying amount of subsidiaries' shares disposed of	85,965	-
Changes in equity of subsidiaries	652,219	1,313
Changes in equity of associates accounted for using equity method	26,705	25,040
Others	15,417	15,417
	\$ 14,715,830	12,456,891

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Under the Company Act, capital surplus generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital, the conversion premium from convertible corporate bonds, the difference between consideration and carrying amount of subsidiaries' shares acquired or disposed of, and treasury share transactions, may be applied to cover a deficit, or be transferred to capital as stock dividends, or be distributed as cash dividends when there is no deficit, and this transfer is restricted to a certain percentage of the paid-in capital. The capital surplus arising from changes in equity of subsidiaries could be applied to cover a deficit.

(3) Legal reserve

According to the Company Act, a company shall first set aside ten percent of its income after taxes as legal reserve until it equals the paid-in capital. After offsetting any deficit, the legal reserve may be transferred to capital and distributed as stock dividends or distributed as cash dividends for the amount in excess of 25% of the paid-in capital pursuant to a resolution adopted by the shareholders' meeting.

(4) Appropriation of earnings and dividend policy

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

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

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

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

approved by resolutions of the Board, who shall, upon such approval, recommend the same to the shareholders for approval by resolution at the shareholders' meetings.

TWM distributes and reverses special reserve in accordance with Decree No. 1010012865, Decree No. 1010047490, and "The Q&A for special reserve recognition after adopting IFRS" announced by the FSC. The special reserve appropriation will be reversed as distributable retained earnings to the extent that the net debit balance of the other shareholders' equity reverses.

The appropriation of earnings should be resolved by the shareholders' meeting and recognized in the financial statements in the following year.

TWM's estimated bonuses to employees and estimated remuneration to directors are accrued by a certain percentage of the net income. TWM's estimated bonuses to employees amounted to \$396,057 thousand and \$420,753 thousand for the years ended December 31, 2014 and 2013, respectively, and estimated remuneration to directors amounted to \$33,846 thousand and \$42,075 thousand for the years ended December 31, 2014 and 2013, respectively. The significant difference between annual accruals and the amount approved by the Board of Directors shall be adjusted in the current year. If the Board of Directors' approval differs from the amount ratified at the annual general shareholders' meeting (AGM), the difference will be treated as a change in accounting estimate and will be adjusted in profit and losses in the year of the AGM. If employee bonuses are paid in the form of company shares, the number of employee bonus shares shall be derived by dividing the approved bonus amount by the closing price one day prior to the AGM, adjusted for cash and/or stock dividends, if any.

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

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

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

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

TWM's appropriation of the earnings, bonus to employees, and remuneration to directors for 2014 is awaiting a proposal by the Board of Directors and approval at the AGM.

Information on the appropriation of the earnings, bonus to employees, and remuneration to directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(5) Other equity interests

	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total
Balance, January 1, 2014	\$ 24,948	387,734	412,682
Changes in fair value of available-for-sale financial assets	-	(390,994)	(390,994)
Changes in other comprehensive income of subsidiaries and associates accounted for using equity method	6,346	(331,020)	(324,674)
Balance, December 31, 2014	<u>\$ 31,294</u>	<u>(334,280)</u>	<u>(302,986)</u>

(continued)

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total
Balance, January 1, 2013	\$ 25,483	314,543	340,026
Changes in fair value of available-for-sale financial assets	-	(3,043)	(3,043)
Changes in other comprehensive income of subsidiaries and associates accounted for using equity method	(535)	76,234	75,699
Balance, December 31, 2013	<u>\$ 24,948</u>	<u>387,734</u>	<u>412,682</u>

(continued)

(6) Treasury shares

TCCI Investment & Development Co., Ltd. (TID) disposed of 31,974 thousand shares of TWM for \$2,970,389 thousand in October 2014. TWM recognized “capital surplus – treasury share transactions” in the amount of \$1,520,403 thousand.

As of December 31, 2014 and 2013, TWM’s stock held by TCC Investment Co., Ltd., TFN Union Investment Co., Ltd. and TID (all are subsidiaries 100% owned by TWM) was 698,752 thousand shares and 730,726 thousand shares, respectively, and the carrying and market values were \$73,019,542 thousand and \$70,368,899 thousand, respectively. Since the shares held by subsidiaries are regarded as treasury shares, TWM recognized \$29,717,344 thousand and \$31,077,183 thousand, respectively, as treasury shares. Although these shares are treated as treasury shares in the financial statements, the shareholders are entitled to excise their rights over these shares, except for participation in capital injection by cash. In addition, based on the ROC Company Act, subsidiaries with over 50% shareholding by TWM cannot exercise the voting rights over their treasury shares.

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

u. Earnings per share

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

	For the Year Ended December 31	
	2014	2013
Basic EPS		
Profit attributable to ordinary shareholders	\$ 15,005,428	15,583,447
Weighted-average number of ordinary shares	2,697,728	2,690,107
	\$ 5.56	5.79
 Diluted EPS		
Profit attributable to ordinary shareholders (adjusted for potential effect of dilutive ordinary shares)	\$ 15,005,428	15,583,447
Weighted-average number of ordinary shares	2,697,728	2,690,107
Effect of potential dilutive ordinary shares		
Effect of employees' bonuses	5,792	6,106
Weighted-average number of ordinary shares (adjusted for potential effect of dilutive ordinary shares)	2,703,520	2,696,213
	\$ 5.55	5.78

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

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

v. Operating revenues

TWM's operating revenues were as follows:

	For the Years Ended	
	December 31	
	2014	2013
Telecommunication service	\$ 56,224,864	55,034,285
Sales revenue	23,219,991	22,089,510
Other operating revenues	2,204,215	1,804,697
	\$ 81,649,070	78,928,492

w. Other income and expenses

TWM's other income and expenses were as follows:

	For the Years Ended	
	December 31	
	2014	2013
Police inquiry	\$ 21,655	30,141
Others	30,358	22,494
	\$ 52,013	52,635

x. Non-operating income and expenses

(1) Other income

TWM's other income was as follows:

	For the Years Ended	
	December 31	
	2014	2013
Rent income	\$ 147,611	176,994
Interest income	18,531	38,975
Dividend income	9,835	11,628
Other income	374,849	2,210
	\$ 550,826	229,807

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Other gains and losses, net

TWM's other gains and losses were as follows:

	For the Years Ended	
	December 31	
	2014	2013
Loss on disposal of property, plant and equipment \$	(950,715)	(1,285,754)
Foreign exchange gains	28,926	6,985
Others	(33,586)	(39,385)
	\$ (955,375)	(1,318,154)

(3) Finance costs

TWM's finance costs were as follows:

	For the Years Ended	
	December 31	
	2014	2013
Interest expense		
Bank loans	\$ 307,095	93,642
Corporate bonds	197,066	274,442
Financing extension	105,150	69,800
Others	3,110	30,464
	612,421	468,348
Less: capitalized interest	(13,145)	(24,254)
	\$ 599,276	444,094

Capitalization rates were as follows:

	For the Years Ended	
	December 31	
	2014	2013
Capitalization rates	1.20%~1.36%	1.24%~1.60%

y. Capital management

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

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

demands for capital expenditures, working capital, settlements of liabilities, and dividend payments in the future.

z. Financial instruments

(1) Categories of financial instruments

Financial assets

	2014.12.31	2013.12.31
Available-for-sale financial assets (including current and non-current portions)	\$ 2,791,360	202,354
Financial assets carried at cost	7,050	50,324
Loans and receivables:		
Cash and cash equivalents	1,167,487	601,723
Receivables (including current and non-current portions)	13,822,179	18,866,891
Other financial assets	720	720
Refundable deposits	430,750	400,218
Subtotal	15,421,136	19,869,552
Total	\$ 18,219,546	20,122,230

Financial liabilities

	2014.12.31	2013.12.31
Short-term borrowings	\$ 27,880,000	37,170,000
Short-term notes and bills payable	5,593,031	2,396,971
Payables	13,328,252	13,003,830
Bonds payable	14,794,293	14,792,647
Long-term borrowings (including current portion)	12,000,000	3,000,000
Guarantee deposits	360,393	376,428
Total	\$ 73,955,969	70,739,876

(2) Credit risk

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

(3) Liquidity risk

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

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

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1~5 years</u>	<u>More than 5 years</u>
2014.12.31					
Unsecured loans	\$ 29,600,000	29,808,299	19,761,866	10,046,433	-
Unsecured loans-related parties	10,280,000	10,411,831	10,411,831	-	-
Short-term notes and bills payable	5,593,031	5,600,000	5,600,000	-	-
Bonds payable	14,794,293	15,604,570	195,420	15,409,150	-
	<u>\$ 60,267,324</u>	<u>61,424,700</u>	<u>35,969,117</u>	<u>25,455,583</u>	<u>-</u>
2013.12.31					
Unsecured loans	\$ 33,500,000	33,623,454	31,607,747	2,015,707	-
Unsecured loans-related parties	6,670,000	6,741,664	6,741,664	-	-
Short-term notes and bills payable	2,396,971	2,400,000	2,400,000	-	-
Bonds payable	14,792,647	15,799,990	195,420	11,044,270	4,560,300
	<u>\$ 57,359,618</u>	<u>58,565,108</u>	<u>40,944,831</u>	<u>13,059,977</u>	<u>4,560,300</u>

(4) Exchange rate risk

(a) Exposure to exchange rate risk

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

	<u>2014.12.31</u>			<u>2013.12.31</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
Financial Assets						
USD	43,439	31.71	1,377,460	20,230	29.90	604,884
EUR	395	38.57	15,227	844	41.14	34,707
Financial Liabilities						
USD	15,085	31.71	478,352	456	29.90	13,654
EUR	8	38.57	293	2	41.14	85

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(b) Sensitivity analysis

TWM's exchange rate risk comes mainly from conversion gains and losses of accounts measured in foreign currencies such as cash and cash equivalents, accounts receivable, other receivables, other financial assets, accounts payable, other payables, etc. If the NTD, when compared with the USD and EUR, had depreciated 5% (with other factors remaining constant on the reporting date and with analyses of the two periods on the same basis), profit would have increased by \$45,702 thousand and by \$31,300 thousand for the years ended December 31, 2014 and 2013, respectively.

(5) Interest rate analysis

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

	Carrying amount	
	2014.12.31	2013.12.31
Fair value interest rate risk		
Financial assets	\$ 437,887	2,254,960
Financial liabilities	60,267,324	57,359,618
Cash flow interest rate risk		
Financial assets	\$ 722,543	426,010

The following sensitivity analysis is based on the exposure to interest rate risk of derivative and non-derivative instruments on the reporting date. For floating-rate assets and liabilities, the analysis assumes that the balances of outstanding assets and liabilities on the reporting date have been outstanding for the whole period and that the changes in interest rates are reasonable. If the interest rate had increased by 0.5% (with other factors remaining constant on the reporting date and with analyses of the two periods on the same basis), for the years ended December 31, 2014 and 2013, TWM's profit would have increased by \$3,613 thousand and by \$2,130 thousand, respectively.

(6) Fair value of financial instruments

(a) Financial instruments not at fair value

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

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	2014.12.31		2013.12.31	
	Carrying	Fair	Carrying	Fair
	Amount	Value	Amount	Value
Financial liabilities				
Corporate bonds payable	\$ 14,794,293	14,774,375	14,792,647	14,713,072

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

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

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

(c) Fair value measurements recognized in the balance sheets

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

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

	Level 1	Level 2	Level 3	Total
2014.12.31				
<u>Available-for-sale financial assets</u>				
Domestic listed stock	\$ 204,310	-	-	204,310
Domestic unlisted stocks	-	2,587,050	-	2,587,050
	<u>\$ 204,310</u>	<u>2,587,050</u>	<u>-</u>	<u>2,791,360</u>
2013.12.31				
<u>Available-for-sale financial assets</u>				
Domestic listed stock	<u>\$ 202,354</u>	<u>-</u>	<u>-</u>	<u>202,354</u>

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

There was no transfer between the fair value levels for the years ended December 31, 2014 and 2013.

aa. Financial risk management

(1) Overview

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

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

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

(2) Risk management framework

(a) Decision-making mechanism:

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

(b) Risk management policies:

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

(c) Monitoring mechanism:

The Internal Audit Office regularly monitors and assesses the potential risks that TWM 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.

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(3) Credit risk

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

(4) Liquidity risk

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

TWM ensures sufficient cash for the requirements of paying estimated operating expenditures, including financial obligations. TWM also monitors its bank credit facilities and ensures that the provisions of loan contracts are all complied with properly. As of December 31, 2014 and 2013, TWM had unused bank facilities of \$39,793,000 thousand and \$36,943,800 thousand, respectively.

(5) Market risk

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

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

(a) Exchange rate risk

TWM mainly operates in Taiwan, except for international roaming services. Most of the operating revenues and expenses are measured in NTD. A small portion of the expenses is paid in EUR and USD; thus, TWM purchases currency

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

at the spot rate based on the conservative principle in order to hedge exchange rate risk. Overall, exchange rate risk does not affect TWM significantly.

(b) Interest rate risk

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

(c) Other market price risk

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

Sensitivity analysis: If the equity securities price had increased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), for the years ended December 31, 2014 and 2013, other comprehensive income would have increased by \$139,568 thousand and \$10,118 thousand, respectively.

7. RELATED-PARTY TRANSACTIONS

The transactions with related parties were as follows, unless stated in other disclosures of the notes:

a. Significant transactions with related parties

(1) Operating revenue

	For the Years Ended December 31	
	2014	2013
Subsidiaries	\$ 14,728,155	9,942,848
Associates	12,930	10,812
Other related parties	15,332	15,074
	<u>\$ 14,756,417</u>	<u>9,968,734</u>

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

TWM renders telecommunication and sales services, etc., to the entities mentioned above. The transaction terms with related parties were not significantly different from those with third parties.

(2) Purchases

	For the Years Ended	
	December 31	
	2014	2013
Subsidiaries	\$ 7,727,001	7,109,659
Associates	92	-
Other related parties	22,091	25,452
	\$ 7,749,184	7,135,111

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

(3) Receivables from related parties

The amount of receivables from related parties was as follows:

Account	Related Party	2014.12.31	2013.12.31
	Category		
Accounts receivable	Subsidiaries	\$ 255,602	1,735,253
Accounts receivable	Associates	2,145	3,251
Accounts receivable	Other related parties	3,842	5,888
		\$ 261,589	1,744,392
Other receivables	Subsidiaries	\$ 325,071	319,445
Other receivables	Subsidiaries (loans to related parties)	-	2,085,000
Other receivables	Other related parties	8,846	29,088
		\$ 333,917	2,433,533

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

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(4) Payables to related parties

The amount of payables to related parties was as follows:

<u>Account</u>	<u>Related Party Category</u>	<u>2014.12.31</u>	<u>2013.12.31</u>
Accounts payable	Subsidiaries	\$ 88,659	94,029
Other payables	Subsidiaries	\$ 552,127	931,934

(5) Prepayments

The amount of prepayments to related parties was as follows:

	<u>2014.12.31</u>	<u>2013.12.31</u>
Subsidiaries	\$ 53,253	102,715

(6) Property transactions

Disposal of equipment and computer software

	<u>For the Years Ended December 31</u>			
	<u>2014</u>		<u>2013</u>	
	<u>Amount</u>	<u>Gain (Loss)</u>	<u>Amount</u>	<u>Gain (Loss)</u>
Subsidiaries	\$ 24,916	-	51,648	-

(7) Borrowings from related parties

	<u>2014.12.31</u>	<u>2013.12.31</u>
Subsidiaries	\$ 10,280,000	6,670,000

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

(8) Bank deposits

	<u>2014.12.31</u>	<u>2013.12.31</u>
Other related parties	\$ 380,882	159,962

(9) Investments

In 2014, TWM participated in TNH's and Wealth Media Technology Co., Ltd.'s increase in capital based on its proportion of the shareholding, and the investment amount increased by \$172,155 thousand and \$3,000,000 thousand, respectively.

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

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(10) Others

	2014.12.31	2013.12.31
(a) <u>Guarantee deposits</u>		
Subsidiaries	\$ 16,756	-
	2014.12.31	2013.12.31
(b) <u>Other current liabilities – collections and temporary receipts</u>		
Subsidiaries	\$ 43,349	47,884
	For the Years Ended December 31	
	2014	2013
(c) <u>Freight</u>		
Subsidiaries	\$ 246,891	122,515
(d) <u>Telecommunication service expenses</u>		
Subsidiaries	\$ 66,390	84,585
(e) <u>Repair expense</u>		
Subsidiaries	\$ 487,780	267,214
Other related parties	25,200	26,539
	\$ 512,980	293,753
(f) <u>Advertisement expenses</u>		
Subsidiaries	\$ 34,057	47,000
(g) <u>Insurance expenses</u>		
Other related parties	\$ 6,309	11,341
(h) <u>Donation expense</u>		
Other related parties	\$ 17,910	14,540
(i) <u>Commission</u>		
Subsidiaries	\$ 10,883,637	5,778,404

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	For the Years Ended December 31	
	2014	2013
(j) <u>Professional service fees</u>		
Subsidiaries	\$ 1,076,335	1,053,933
(k) <u>Other expense</u>		
Subsidiaries	\$ 231,176	110,913
Other related parties	166,176	148,086
	\$ 397,352	258,999

(l) Management service charges

(i) For the years ended December 31, 2014 and 2013, TWM provided services to related parties, which were recorded as deductions from related costs and expenses. TWM's service charges received were as follows:

	For the Years Ended December 31	
	2014	2013
Subsidiaries	\$ 605,919	531,450

(ii) For the years ended December 31, 2014 and 2013, TWM's service charges paid were as follows:

	For the Years Ended December 31	
	2014	2013
Subsidiaries	\$ 62,616	61,650
(m) <u>Interest income</u>		
Subsidiaries	\$ 11,730	23,134
(n) <u>Finance costs</u>		
Subsidiaries	\$ 105,150	69,800
(o) <u>Rent income</u>		
Subsidiaries	\$ 111,770	141,253
(p) <u>Rental expenses</u>		
Subsidiaries	\$ 124,661	13,651

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

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

b. Key management personnel compensation

	For the Years Ended	
	December 31	
	2014	2013
Short-term employee benefits	\$ 231,074	238,698
Termination benefits	27,560	43,989
Post-employment benefits	1,614	1,593
	\$ 260,248	284,280

8. ASSETS PLEDGED

The assets pledged as collateral for performance bonds for construction contracts were as follows:

	2014.12.31	2013.12.31
Other non-current financial assets — time deposits	\$ 720	720

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Unrecognized commitments

	2014.12.31	2013.12.31
Purchases of property, plant and equipment, etc.	\$ 8,355,482	5,001,220
Purchases of cellular phones	\$ 7,057,442	3,445,158

10. SIGNIFICANT CASUALTY LOSS: NONE

11. SIGNIFICANT SUBSEQUENT EVENTS

In January 2015, TWM was approved to acquire a Mobile Broadband Spectrum frequency of 5 MHz x 2 in the 700 MHz frequency band by the NCC. The consideration has been paid in full.

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

12. OTHERS

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

	For the Years Ended December 31							
	2014				2013			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Operating Costs or Reduction of Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Operating Costs or Reduction of Expenses	Total
Employee benefits								
Salary	1,017,655	1,333,071	549,112	2,899,838	1,020,683	1,832,656	316,140	3,169,479
Labor and health insurance	71,619	90,769	31,231	193,619	69,345	124,061	17,937	211,343
Pension	39,274	48,086	17,828	105,188	39,189	64,512	10,576	114,277
Others	53,133	64,944	9,297	127,374	50,787	90,889	5,446	147,122
Depreciation	7,158,286	429,314	-	7,587,600	6,552,378	438,652	-	6,991,030
Amortization	1,242,787	262,630	-	1,505,417	748,585	245,636	-	994,221

(1) For the years ended December 31, 2014 and 2013, the depreciation expense in non-operating expenses was \$12,528 thousand and \$17,056 thousand, respectively.

(2) For the years ended 2014 and 2013, the average number of employees of TWM was 2,303 and 2,634, respectively.

13. ADDITIONAL DISCLOSURES

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

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

- (1) Financing extended to other parties: Table 1 (attached)
- (2) Endorsements/guarantees provided to other parties: Table 2 (attached)
- (3) Marketable securities held: Table 3 (attached) (excluding investments in subsidiaries and associates)
- (4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
- (5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: Table 5 (attached)
- (6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20%

TAIWAN MOBILE CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

of the paid-in capital: None

- (7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- (8) Receivables from related parties of at least NT\$100 million or 20% of the paid-in capital: Table 7 (attached)
- (9) Names, locations and related information of investees on which TWM exercised significant influence: Table 8 (attached) (excluding information on investment in Mainland China)
- (10) Trading in derivative instruments: None

c. Information on investment in Mainland China:

- (1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 9 (attached)
- (2) Significant direct or indirect transactions with the investee companies, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please refer to “Information on significant transactions” above.

14. SEGMENT INFORMATION

Please refer to the consolidated financial statements for the years ended December 31, 2014 and 2013.

TAIWAN MOBILE CO., LTD.
FINANCING EXTENDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2014

TABLE 1

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits
													Item	Value		
0	TWM	TFN Media Co., Ltd.	Other receivables	Yes	\$ 4,000,000	\$ -	\$ -	1.176%~1.197%	Short-term financing	\$ -	- Operation requirements	\$ -	-	-	\$ 24,103,741 (Note 2)	\$ 24,103,741 (Note 2)
		Win TV Broadcasting Co., Ltd.	Other receivables	Yes	600,000	-	-	1.196%~1.197%	Short-term financing	-	- Operation requirements	-	-	-	24,103,741 (Note 2)	24,103,741 (Note 2)
1	Taiwan Fixed Network Co., Ltd.	TWM	Other receivables	Yes	9,000,000	9,000,000	8,180,000	1.183%~1.29622%	Short-term financing	-	- Operation requirements	-	-	-	21,622,525 (Note 2)	21,622,525 (Note 2)
2	Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	Yes	260,000	260,000	260,000	1.184%~1.29489%	Short-term financing	-	- Repayment of financing	-	-	-	280,095 (Note 3)	494,767 (Note 3)
3	Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	Yes	545,000	540,000	540,000	1.184%~1.29489%	Transactions	544,485	-	-	-	-	544,485 (Note 3)	979,019 (Note 3)
4	Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	Yes	495,000	480,000	425,000	1.184%~1.29489%	Transactions	494,235	-	-	-	-	494,235 (Note 3)	788,005 (Note 3)
5	Wealth Media Technology Co., Ltd.	TWM	Other receivables	Yes	2,300,000	2,300,000	1,800,000	1.184%~1.29789%	Short-term financing	-	- Operation requirements	-	-	-	8,250,635 (Note 2)	8,250,635 (Note 2)
		Taiwan Kuro Times Co., Ltd.	Other receivables	Yes	100,000	100,000	-	1.196%~1.197%	Short-term financing	-	- Operation requirements	-	-	-	8,250,635 (Note 2)	8,250,635 (Note 2)
		Win TV Broadcasting Co., Ltd.	Other receivables	Yes	600,000	600,000	250,000	1.294%~1.29789%	Short-term financing	-	- Operation requirements	-	-	-	8,250,635 (Note 2)	8,250,635 (Note 2)
		TFN Media Co., Ltd.	Other receivables	Yes	3,000,000	3,000,000	1,500,000	1.294%	Short-term financing	-	- Operation requirements	-	-	-	8,250,635 (Note 2)	8,250,635 (Note 2)
6	Taiwan Cellular Co., Ltd.	TWM	Other receivables	Yes	300,000	300,000	300,000	1.186%~1.29622%	Short-term financing	-	- Operation requirements	-	-	-	34,226,760 (Note 2)	34,226,760 (Note 2)

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

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

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

TAIWAN MOBILE CO., LTD.
ENDORSEMENTS/GUARANTEES PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2014

TABLE 2
(In Thousands of New Taiwan Dollars)

No.	Company Providing Endorsements/Guarantees	Receiving Party		Limit on Endorsements/ Guarantees Amount Provided to Each Entity	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts (Note 1)	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor (Note 1)	Maximum Endorsements/ Guarantees Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
0	TWM	Taiwan Fixed Network Co., Ltd.	(Note 2)	\$ 42,000,000 (Note 3)	\$ 21,500,000	\$ 21,500,000	\$ 11,575,650 (Note 4)	\$ -	35.68%	\$ 60,259,352 (Note 3)	Y	N	N
		Taiwan Kuro Times Co., Ltd.	(Note 2)	259,800 (Note 3)	50,000	50,000	50,000	-	0.08%	60,259,352 (Note 3)	Y	N	N
1	momo.com Inc.	Fubon Gehua (Beijing) Enterprise Ltd.	(Note 2)	799,626 (Note 5)	507,360	507,360	507,360	-	8.04%	6,310,990 (Note 5)	N	N	Y

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

Note 2: Direct/indirect subsidiary.

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

Note 4: Including USD15,000 thousand.

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

※Limit for individual amount: The limit of guarantee/endorsement provided by momo to FGE is limited to the investment amount (USD12,322,314 × 31.71 + RMB60,000,000 × 5.095 + US\$3,254,043.15 × 31.71 = NTD799,626 thousand).

※The momo Board of Directors authorized the guarantee amount (USD16,000,000 × 31.71 = NTD507,360 thousand).

※Drawn-down amount: USD16,000,000 × 31.71 = NTD507,360 thousand.

※Amount of guarantee collateralized by property: 0 thousand.

Note 6: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$31.71 and RMB 1 = NT\$5.095 at the end of the period.

TAIWAN MOBILE CO., LTD.
MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)
DECEMBER 31, 2014

TABLE 3

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

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	DECEMBER 31, 2014				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
TWM	<u>Stock</u> Chunghwa Telecom Co., Ltd.	—	Current available-for-sale financial assets	2,174	\$ 204,310	0.028	\$ 204,310	
	Ambit Microsystems Corporation	—	Non-current available-for-sale financial assets	298,000	2,587,050	14.9	2,587,050	
	Bridge Mobile Pte Ltd.	—	Non-current financial assets at cost	800	7,050	10	-	
	Yes Mobile Holdings Company	—	Non-current financial assets at cost	74	-	0.19	-	Note 1
momo.com Inc.	<u>Beneficiary Certificate</u> Fubon Strategic High Income Fund B	Related party in substance	Current available-for-sale financial assets	18,302	186,456	-	186,456	
	Fubon Chi-Hsiang Money Market Fund	Related party in substance	Current available-for-sale financial assets	12,970	200,004	-	200,004	
	Fubon China High Yield Bond Fund-B (RMB)	Related party in substance	Current available-for-sale financial assets	3,886	193,869	-	193,869	
	Fuh Hwa Emerging Market High Yield Bond Fund B	—	Current available-for-sale financial assets	10,225	73,313	-	73,313	
	PineBridge Global Multi - Strategy High Yield Bond Fund-B	—	Current available-for-sale financial assets	23,351	186,335	-	186,335	
	Eastspring Investments Global High Yield Bond Fund B	—	Current available-for-sale financial assets	19,028	180,437	-	180,437	
	Eastspring Investments Well Pool Money Market Fund	—	Current available-for-sale financial assets	29,933	400,006	-	400,006	
	JPMorgan (Taiwan) Asia High Yield Total Return Bond Fund - Monthly Distribution Share Class	—	Current available-for-sale financial assets	18,916	189,020	-	189,020	
	Allianz Global Investors Taiwan Money Market Fund	—	Current available-for-sale financial assets	32,520	400,007	-	400,007	
	<u>Stock</u> We Can Medicines Co., Ltd.	—	Non-current financial assets at cost	2,400	60,000	7.73	-	
Taiwan Cellular Co., Ltd.	<u>Stock</u> Arcoa Communication Co., Ltd.	—	Non-current financial assets at cost	6,998	67,731	5.21	-	
	Parawin Venture Capital Corp.	—	Non-current financial assets at cost	2,160	11,471	3	-	
	Transportation High Tech Inc.	—	Non-current financial assets at cost	1,200	-	12	-	Note 1
	WEB Point Co., Ltd.	—	Non-current financial assets at cost	803	6,773	3.17	-	

(Continued)

TAIWAN MOBILE CO., LTD.
MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)
DECEMBER 31, 2014

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	DECEMBER 31, 2014				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
TFN Media Co., Ltd.	Beneficiary Certificate Dragon Tiger Capital Partners Limited	—	Current held-to-maturity financial assets	0.2	\$ 6	-	\$ 6	
TCC Investment Co., Ltd.	Stock TWM	TWM	Non-current available-for-sale financial assets	200,497	20,951,911	5.86	20,951,911	
	Great Taipei Broadband Co., Ltd.	—	Non-current financial assets at cost	10,000	39,627	6.67	-	
	Preferred stock Taiwan High Speed Rail Corporation Unlisted Convertible Preferred Stock – Series A	—	Non-current debt instrument investment without active market	50,000	500,000	1.24	-	
TCCI Investment and Development Co., Ltd.	Stock TWM	TWM	Non-current available-for-sale financial assets	87,590	9,153,109	2.56	9,153,109	
Taiwan Fixed Network Co., Ltd.	Stock Taiwan High Speed Rail Corporation	—	Non-current available-for-sale financial assets	225,531	893,103	3.46	893,103	
TFN Union Investment Co., Ltd.	Stock TWM	TWM	Non-current available-for-sale financial assets	410,665	42,914,522	12	42,914,522	

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

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

(Concluded)

TAIWAN MOBILE CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014

TABLE 4

(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units (Thousands)	Amount
TWM	Stock Wealth Media Technology Co., Ltd.	Investments accounted for using equity method	Wealth Media Technology Co., Ltd.	Subsidiary	39,065	\$16,157,062	3,000 (Note 1)	\$ 3,000,000	-	-	-	-	42,065	\$ 20,626,589 (Note 2)
	Ambit Microsystems Corporation	Non-current available-for-sale financial assets	-	-	-	-	298,000 (Note 1)	2,980,000	-	-	-	-	298,000	2,587,050 (Note 2)
Wealth Media Technology Co., Ltd.	Stock momo.com Inc.	Investments accounted for using equity method	SinoPac Securities Co., Ltd. (Note 4)	Unrelated parties	64,742	8,567,490	-	-	1,695	323,859	229,995	(Note 3)	63,047	9,352,414 (Note 2)
TCCI Investment and Development Co., Ltd.	Stock TWM	Non-current available-for-sale financial assets	-	-	119,564	11,513,994	-	-	31,974	2,970,389	1,737,267	1,233,122	87,590	9,153,109 (Note 2)
momo.com Inc.	Beneficiary Certificate Eastspring Investments Well Pool Money Market Fund	Current available-for-sale financial assets	-	-	-	-	29,933	400,000	-	-	-	-	29,933	400,006 (Note 2)
	Allianz Global Investors Taiwan Money Market Fund	Current available-for-sale financial assets	-	-	-	-	32,520	400,000	-	-	-	-	32,520	400,007 (Note 2)
Asian Crown(BVI)	Stock Fortune Kingdom	Investments accounted for using equity method	Fortune Kingdom	Subsidiary	22,237	118,883	11,396	344,227	-	-	-	-	33,633	248,827 (Note 2)
Fortune Kingdom	Stock HK Fubon Multimedia	Investments accounted for using equity method	HK Fubon Multimedia	Subsidiary	22,237	118,883	11,396	344,227	-	-	-	-	33,633	248,827 (Note 2)
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd.	Investments accounted for using equity method	Fubon Gehua (Beijing) Enterprise Ltd.	Subsidiary	-	118,218	-	344,227	-	-	-	-	-	248,230 (Note 2)

Note 1: The Shares/Units purchased for the period were obtained from capital increase by cash.

Note 2: The ending balance includes unrealized gains (losses) on financial assets, exchange differences on translation of foreign financial statements, associates accounted for using equity method, and adjustments of subsidiaries.

Note 3: The gain (loss) on disposal was recognized as a capital surplus.

Note 4: To comply with the regulation for trading on the emerging market and over-allotment for initial listing on the stock exchange.

TAIWAN MOBILE CO., LTD.

**ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014**

TABLE 5

(In Thousands of New Taiwan Dollars)

Company Name	Type of Property	Transaction Date	Transaction Amount	Payment	Counter-party	Nature of Relationship	Prior Transaction with Related Party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
momo.com Inc.	Land	May 14, 2014	\$ 1,708,270	Paid in full	Natural person	Unrelated parties	-	-	-	-	The appraisal reports of Jin Han Real Estate Appraiser Joint Firm and G-Beam Real Estate Appraiser Firm.	Operating usage	None

TAIWAN MOBILE CO., LTD.

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014**

TABLE 6

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
TWM	Taiwan Fixed Network Co., Ltd.	Subsidiary	Sale	\$ (1,815,552)	2	Based on contract terms	—	—	\$ 277,712	3	(Note 1)
			Purchase	7,418,275	(Note 2)	Based on contract terms	—	—	(405,095)	(Note 3)	
	Taiwan Kuro Times Co., Ltd.	Subsidiary	Purchase	355,702	1	Based on contract terms	—	—	(86,895)	2	(Note 1)
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	1,076,444	(Note 2)	Based on contract terms	—	—	(94,383)	(Note 3)	
	Taiwan Digital Service Co., Ltd.	Subsidiary	Sale	(12,811,112)	15	Based on contract terms	—	—	1,677,203	14	(Note 1)
Taiwan Teleservices & Technologies Co., Ltd.			Purchase	11,761,940	(Note 4)	Based on contract terms	—	—	(1,819,888)	(Note 1)	
	momo.com Inc.	Subsidiary	Sale	(101,189)	-	Based on contract terms	—	—	13,097	-	
	TWM	Ultimate parent	Sale	(1,076,444)	91	Based on contract terms	—	—	94,383	91	
	Taiwan Fixed Network Co., Ltd.	The same parent company	Sale	(100,848)	8	Based on contract terms	—	—	7,901	8	
	Taiwan Fixed Network Co., Ltd.	TWM	Ultimate parent	Sale	(7,418,275)	52	Based on contract terms	—	—	405,095	48
Taiwan Digital Service Co., Ltd.			Purchase	1,815,552	(Note 2)	Based on contract terms	—	—	(277,317)	44	(Note 1)
	TFN Media Co., Ltd.	The same parent company	Sale	(142,287)	1	Based on contract terms	—	—	24,945	3	
	Taiwan Teleservices & Technologies Co., Ltd.	The same parent company	Purchase	100,848	(Note 4)	Based on contract terms	—	—	(7,901)	(Note 3)	
	TWM	Ultimate parent	Sale	(11,762,007)	70	Based on contract terms	—	—	1,819,888	99	
			Purchase	12,811,112	(Note 2)	Based on contract terms	—	—	(1,677,203)	99	(Note 1)
Taiwan Kuro Times Co., Ltd. TFN Media Co., Ltd.	TWM	Ultimate parent	Sale	(355,702)	44	Based on contract terms	—	—	86,895	100	(Note 1)
	Phoenix Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(466,136)	15	Based on contract terms	(Note 5)	(Note 5)	-	-	
	Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(419,902)	13	Based on contract terms	(Note 5)	(Note 5)	-	-	
	Union Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(214,288)	7	Based on contract terms	(Note 5)	(Note 5)	-	-	
	Globalview Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(182,606)	6	Based on contract terms	(Note 5)	(Note 5)	-	-	
	Taiwan Fixed Network Co., Ltd.	The same parent company	Operating costs	137,565	11	Based on contract terms	—	—	(24,318)	5	
Yeong Jia Leh Cable TV Co., Ltd. Phoenix Cable TV Co., Ltd. Union Cable TV Co., Ltd. Globalview Cable TV Co., Ltd. Mangrove Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	419,902	56	Based on contract terms	(Note 5)	(Note 5)	-	-	
	TFN Media Co., Ltd.	Parent	Royalty for copyright	466,136	58	Based on contract terms	(Note 5)	(Note 5)	-	-	
	TFN Media Co., Ltd.	Parent	Royalty for copyright	214,288	50	Based on contract terms	(Note 5)	(Note 5)	-	-	
	TFN Media Co., Ltd.	Parent	Royalty for copyright	182,606	53	Based on contract terms	(Note 5)	(Note 5)	-	-	
	Dai-Ka Ltd.	Related party in substance	Royalty for copyright	151,606	49	Based on contract terms	(Note 5)	(Note 5)	(37,901)	86	
momo.com Inc.	Taiwan Pelican Express Co., Ltd.	Equity-method investee	Purchase	438,046	2	Based on contract terms	—	—	(41,259)	2	
	TWM	Ultimate parent	Purchase	99,042	1	Based on contract terms	—	—	(16,396)	1	

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

Note 2: Including operating costs and operating expenses.

Note 3: Including accounts payable and other payables.

Note 4: Recognized as operating expenses.

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

TAIWAN MOBILE CO., LTD.
RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2014

TABLE 7
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
						Amount	Action Taken		
TWM	Taiwan Fixed Network Co., Ltd.	Subsidiary	Accounts receivable	\$ 277,712	6.26	\$ -	-	\$ -	-
			Other receivables	33,260		-	-	30,064	-
	Taiwan Digital Service Co., Ltd.	Subsidiary	Accounts receivable	1,677,203	5.57	-	-	1,677,203	-
			Other receivables	284,053		-	-	275,249	-
Taiwan Cellular Co., Ltd.	TWM	Parent	Other receivables	300,582		-	-	-	-
Wealth Media Technology Co., Ltd.	TWM	Parent	Other receivables	1,802,905		-	-	80,054	-
	Win TV Broadcasting Co., Ltd.	Subsidiary	Other receivables	250,988		-	-	-	-
	TFN Media Co., Ltd.	Subsidiary	Other receivables	1,507,870		-	-	-	-
Taiwan Fixed Network Co., Ltd.	TWM	Ultimate parent	Accounts receivable	405,095	12.68	-	-	373,382	-
			Other receivables	8,286,612		-	-	2,242	-
Taiwan Digital Service Co., Ltd.	TWM	Ultimate parent	Accounts receivable	1,819,888	6.99	-	-	398,647	-
			Other receivables	2,887		-	-	111	-
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	4,957	7.35	-	-	-	-
			Other receivables	540,161		-	-	-	-
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	2,207	6.94	-	-	-	-
			Other receivables	260,001		-	-	-	-
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	5,492	6.61	-	-	-	-
			Other receivables	425,001		-	-	-	-
momo.com Inc.	Taiwan Pelican Express Co., Ltd.	Equity-method investee	Accounts receivable	360	9.87	-	-	360	-
			Other receivables	109,183		-	-	109,183	-

TAIWAN MOBILE CO., LTD.

**NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2014**

TABLE 8

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

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2014			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2014	December 31, 2013	Shares (Thousands)	Percentage of Ownership	Carrying Value			
TWM	Taiwan Cellular Co., Ltd.	Taiwan	Investment	\$ 41,872,288	\$ 44,767,288	371,196	100	\$ 24,912,476	\$ 7,383,016	\$ 8,351,285	Note 1
	Taipei New Horizon Co., Ltd.	Taiwan	Real estate leasing and hotel business	1,918,655	1,746,500	191,866	49.9	1,722,927	(32,425)	(16,180)	
	Wealth Media Technology Co., Ltd.	Taiwan	Investment	16,802,000	13,802,000	42,065	100	20,626,589	2,703,674	2,703,674	
	Alliance Digital Tech Co., Ltd.	Taiwan	Technology development of mobile payment and information processing services	30,000	30,000	3,000	13.33	23,139	(44,991)	(7,297)	
Wealth Media Technology Co., Ltd.	momo.com Inc.	Taiwan	Wholesale and retail sales	8,129,394	8,347,949	63,047	44.38	9,352,414	1,170,042	-	Note 2
	Win TV Broadcasting Co., Ltd.	Taiwan	TV program provider	222,417	222,417	18,177	100	256,861	37,942	-	Note 2
	TFN Media Co., Ltd.	Taiwan	Cable broadband and value added service provider	5,210,443	5,210,443	230,921	100	7,082,165	2,196,291	-	Note 2
Global Wealth Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	Taiwan	Investment	92,189	92,189	8,945	100	97,391	5,326	-	Note 2
	Global Forest Media Technology Co., Ltd.	Taiwan	Investment	16,984	16,984	1,500	100	17,644	535	-	Note 2
Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	95,841	80,554	-	Note 2
Global Forest Media Technology Co., Ltd.	Union Cable TV Co., Ltd.	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	15,968	104,740	-	Note 2
momo.com Inc.	Fu Sheng Travel Service Co., Ltd.	Taiwan	Travel agent	6,000	6,000	2,500	100	50,419	21,157	-	Note 2
	Fuli Life Insurance Agent Co., Ltd.	Taiwan	Life insurance agent	3,000	3,000	300	100	11,284	2,788	-	Note 2
Asian Crown (BVI)	Fuli Property Insurance Agent Co., Ltd.	Taiwan	Property insurance agent	3,000	3,000	300	100	12,531	3,634	-	Note 2
	Asian Crown (BVI)	British Virgin Islands	Investment	789,864	690,824	26,500	76.26	193,473	(191,776)	-	Note 2
Taiwan Pelican Express Co., Ltd.	Taiwan Pelican Express Co., Ltd.	Taiwan	Logistics industry	337,860	337,860	16,893	17.70	455,426	155,092	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	150,797	-	31,150	35.00	150,803	15,180	-	Note 2
Asian Crown(BVI)	Fortune Kingdom	Samoa	Investment	(THB 155,750) 1,035,051	690,824	33,633	100	248,827	(192,008)	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,035,051	690,824	33,633	100	248,827	(192,008)	-	Note 2
Taiwan Cellular Co., Ltd.	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	261,225	9,548	-	Notes 2 & 7
	Taiwan Fixed Network Co., Ltd.	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	54,057,276	5,379,331	-	Note 2
Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Digital Communication Co., Ltd.	Taiwan	TV program production and mobile phone wholesaling	112,000	112,000	11,200	100	116,240	(126)	-	Note 2
	TCC Investment Co., Ltd.	Taiwan	Investment	17,785,441	20,680,441	22,103	100	29,130,683	1,485,742	-	Note 2
	Taiwan Teleservices & Technologies Co., Ltd.	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	106,967	60,057	-	Note 2
	Taiwan Digital Service Co., Ltd.	Taiwan	Telecommunications service agencies and retail business	1,000,000	1,000,000	20,000	100	1,490,123	467,479	-	Note 2
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Holdings	Samoa	Investment	36,284	36,284	1,300	100	52,284	3,260	-	Note 2
	Taiwan Mobile Basketball Co., Ltd.	Taiwan	Basketball team management	-	3,511	-	-	-	959	-	Notes 2 & 3

(Continued)

TAIWAN MOBILE CO., LTD.
NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2014

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2014			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2014	December 31, 2013	Shares (Thousands)	Percentage of Ownership	Carrying Value			
TCC Investment Co., Ltd.	TCCI Investment and Development Co., Ltd.	Taiwan	Investment	\$ 3,602,782	\$ 6,498,076	400	100	\$ 8,010,126	\$ 1,159,077	-	Note 2
TFN Media Co., Ltd.	Yeong Jia Leh Cable TV Co., Ltd.	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	2,258,904	212,371	-	Note 2
	Mangrove Cable TV Co., Ltd.	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	648,198	103,652	-	Notes 2 & 4
	Phoenix Cable TV Co., Ltd.	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,411,121	209,332	-	Note 2
	Union Cable TV Co., Ltd.	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,077,057	104,740	-	Note 2
	Globalview Cable TV Co., Ltd.	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,269,405	80,554	-	Note 2
	Taiwan Kuro Times Co., Ltd.	Taiwan	Online music and game service	129,900	129,900	14	100	246,103	98,659	-	Note 2
	Kbro Media Co., Ltd.	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	267,878	(36,707)	-	Note 2
Taiwan Fixed Network Co., Ltd.	TFN Union Investment Co., Ltd.	Taiwan	Investment	22,314,536	22,314,536	400	100	37,527,081	(137)	-	Note 2
	TFN HK LIMITED	Hong Kong	Telecommunications service provider	3,041	3,041	1,300	100	16,878	3,200	-	Note 2
				(HK\$744)	(HK\$744)						

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

(Concluded)

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

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

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

Note 5: The above amounts were translated into New Taiwan dollars at the exchange rate of HK\$1=NT\$4.087 and THB1=NT\$0.9682 at the end of the period.

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

Note 7: Held 1 share on December 31, 2014.

TAIWAN MOBILE CO., LTD.
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2014

TABLE 9

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2014	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2014	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2014	Accumulated Inward Remittance of Earnings as of December 31, 2014
					Outflow	Inflow						
Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis and development of CRM application and information consulting services	\$ - (Note 3)	2	\$ 41,223 (US\$1,300)	\$ -	\$ -	\$ 41,223 (US\$1,300)	\$ -	100% indirect ownership through TWM's subsidiary	\$ -	- (Note 3)	\$ -
TWM Communications (Beijing) Co. Ltd.	Mobile application development and design	95,130 (US\$3,000)	2	154,491 (US\$4,872)	-	-	154,491 (US\$4,872)	105	100% indirect ownership through TWM's subsidiary	105	114,049	-
Fubon Gehua (Beijing) Enterprise Ltd.	Wholesaling	1,171,850 (RMB230,000)	2	697,370 (US\$14,000, RMB49,741)	101,900 (RMB20,000)	-	799,270 (US\$14,000, RMB69,741)	(216,774)	69.63% indirect ownership through TWM's subsidiary	(179,541)	189,304	-

Investee Company Name	Accumulated Investment in Mainland China as of December 31, 2014	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
Xiamen Taifu Teleservices & Technologies Co., Ltd.	41,223 (US\$1,300)	41,223 (US\$1,300)	\$80,000
TWM Communications (Beijing) Co., Ltd.	154,491 (US\$4,872)	154,491 (US\$4,872)	\$51,340,140
Fubon Gehua (Beijing) Enterprise Ltd.	799,270 (US\$14,000, RMB69,741)	883,250 (US\$15,000, RMB80,000)	\$3,836,917

Note 1: The investment types are as follows:

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

Note 2: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$31.71 and RMB1 = NT\$5.095 at the end of the period.

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

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

TAIWAN MOBILE CO., LTD.
CASH AND CASH EQUIVALENTS
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Cash in banks		
Foreign-currency deposits	EUR 289,116.47 (exchange rate at 38.57)	\$ 11,151
	US\$3,959,021.71 (exchange rate at 31.71)	125,541
Checking deposits		7,747
Demand deposits		585,131
		<u>729,570</u>
Time deposits		<u>392,887</u>
Government bonds with repurchase rights	Due on January 8, 2015, with interest rate of 0.45%	<u>45,000</u>
Revolving funds		<u>30</u>
		<u><u>\$ 1,167,487</u></u>

TAIWAN MOBILE CO., LTD.
ACCOUNTS AND NOTES RECEIVABLE
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Client	Amount
Related parties	
Taiwan Digital Service Co., Ltd.	\$ 214,280
Taiwan Fixed Network Co., Ltd.	26,560
momo.com Inc.	13,097
Other (Note)	7,652
	261,589
Third parties	
Other (Note)	10,835,521
Less: allowance for doubtful accounts	(228,697)
	10,606,824
	\$ 10,868,413

Note: Each of the clients was less than 5% of the total account balance.

SCHEDULE 3

TAIWAN MOBILE CO., LTD.
OTHER RECEIVABLES
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Temporary receipts by distribution channel	\$ 611,517
Other (Note)	94,243
	<u>\$ 705,760</u>

Note: Each of the items was less than 5% of the total account balance.

TAIWAN MOBILE CO., LTD.
CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Par Value	Thousand Shares	Beginning Balance		Increase		Decrease		Adjustments	Ending Balance		Market Price
			Thousand Shares	Amount	Thousand Shares	Amount	Thousand Shares	Amount (Note 1)	Method (Note 3)	Thousand Shares	% of Ownership	Amount
Taiwan Cellular Co., Ltd.	NT\$ 10	371,196	\$ 21,760,521	-	-	-	(7,730,497)	10,882,452	371,196	100	24,912,476	85,566,899
Wealth Media Technology Co., Ltd.	10	39,065	16,157,062	3,000	3,000,000	-	(1,976,729)	3,446,256	42,065	100	20,626,589	20,626,589
Taipei New Horizons Co., Ltd.	10	174,650	1,566,952	17,216	172,155	-	-	(16,180)	191,866	49.9	1,722,927	1,722,924
Alliance Digital Tech. Co., Ltd.	10	3,000	28,514	-	-	-	-	(5,375)	3,000	13.33	23,139	23,139
			\$ 39,513,049		3,172,155		(9,707,226)	14,307,153			47,285,131	

Note 1: The decrease in investments resulted from receiving dividends of investees, (including capital surplus appropriation distributed).

Note 2: None of the above long-term investments were provided as collateral.

Note 3: The Adjustments on Equity Method include the share of the profit or loss and other comprehensive income of subsidiaries and associates, adjustment of capital surplus from disposal of the Company's share by subsidiaries, adjustment of capital surplus from changes in percentage of ownership, and unrealized gain or loss due to intercompany's transactions.

TAIWAN MOBILE CO., LTD.
CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Please refer to Note 6(h) for related information.

TAIWAN MOBILE CO., LTD.
CHANGES IN INVESTMENT PROPERTY
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Beginning Balance</u>	<u>Changes for the Period</u>		<u>Ending Balance</u>
		<u>Increase</u>	<u>Reclassification</u>	
Cost				
Land	\$ 1,362,022	-	(944,263)	417,759
Buildings	649,585	-	(395,524)	254,061
	<u>\$ 2,011,607</u>	<u>-</u>	<u>(1,339,787)</u>	<u>671,820</u>
Accumulated depreciation and impairment				
Land	\$ 24,050	-	-	24,050
Buildings	222,539	12,528	(142,263)	92,804
	<u>\$ 246,589</u>	<u>12,528</u>	<u>(142,263)</u>	<u>116,854</u>
Investment property, net	<u>\$ 1,765,018</u>	<u>(12,528)</u>	<u>(1,197,524)</u>	<u>554,966</u>

TAIWAN MOBILE CO., LTD.
CHANGES IN INTANGIBLE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Please refer to Note 6(j) for related information.

SCHEDULE 8

TAIWAN MOBILE CO., LTD.
SHORT-TERM BORROWINGS
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

<u>Loan Type</u>	<u>Amount</u>	<u>Financing Period</u>	<u>Interest Rate</u>	<u>Credit Line</u>	<u>Mortgage Guarantee</u>
Unsecured loans	\$ 17,600,000	August 29, 2014 ~April 30, 2015	0.83%~1.08%	69,827,500	None
Unsecured loans—related parties					
Taiwan Fixed Network Co., Ltd.	8,180,000	October 31, 2014 ~ October 30, 2015	1.29622%	9,000,000	None
Wealth Media Technology Co., Ltd.	1,800,000	October 31, 2014 ~ October 30, 2015	1.29622% -1.29789%	2,300,000	None
Taiwan Cellular Co., Ltd.	300,000	October 31, 2014 ~ October 30, 2015	1.29478% -1.29622%	300,000	None
	<u>10,280,000</u>			<u>11,600,000</u>	
	<u>\$ 27,880,000</u>			<u>81,427,500</u>	

TAIWAN MOBILE CO., LTD.
SHORT-TERM NOTES AND BILLS PAYABLE
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Item	Institution Providing Guarantee or Acceptance	Due Date	Interest Rate	Issuing Amount	Discount on Short-term Notes and Bills Payable	Net Carrying Value
Short-term notes and bills payable	International Bills Financial Corporation	March 31, 2015	0.868% ~0.915%	\$ 2,600,000	3,743	2,596,257
	China Bills Financial Corporation	March 31, 2015	0.888% ~0.907%	3,000,000	3,226	2,996,774
				\$ 5,600,000	6,969	5,593,031

TAIWAN MOBILE CO., LTD.
ACCOUNTS PAYABLE
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

<u>Suppliers</u>	<u>Amount</u>
Related parties	
Taiwan Kuro Times Co., Ltd.	\$ 86,717
Others (Note)	1,942
	<u>88,659</u>
Third parties	
A Company	1,203,326
B Company	1,168,658
C Company	525,743
D Company	453,701
Others (Note)	1,002,284
	<u>4,353,712</u>
	<u>\$ 4,442,371</u>

Note: Each of the suppliers was less than 5% of the total account balance.

TAIWAN MOBILE CO., LTD.
OTHER PAYABLES
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Equipment and construction	\$ 2,854,982
Commissions	1,259,995
Salaries and pension	1,194,956
Repair and maintenance expense	907,300
Rent and utilities expense	656,046
Bonus to employees and compensation to directors	429,903
Professional service fees	263,366
Others (Note)	1,319,333
	<u>\$ 8,885,881</u>

Note: Each of the items was less than 5% of the total account balance.

TAIWAN MOBILE CO., LTD.
BONDS PAYABLE
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Please refer to Note 6(n) for related information.

TAIWAN MOBILE CO., LTD.
LONG-TERM BORROWINGS
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Amount</u>	<u>Financing Period</u>	<u>Interest Rate</u>	<u>Mortgage or Guarantee</u>
Sumitomo Mitsui Banking Corporation	\$ 3,000,000	February 27, 2014 ~ February 26, 2016	1.07%	None
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000,000	December 31, 2013 ~ December 31, 2015	1.05%	None
Mizuho Bank, Ltd.	7,000,000	April 14, 2014 ~ April 14, 2016	1.08% ~1.095%	None
Less: current portion	<u>(2,000,000)</u>		1.05%	None
	<u>\$ 10,000,000</u>			

TAIWAN MOBILE CO., LTD.
OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Monthly access fee and activation fee	\$ 48,505,727
Sales revenue	23,219,991
Interconnection revenue (Note 1)	7,719,137
Other operating revenues (Note 2)	2,204,215
	<u><u>\$ 81,649,070</u></u>

Note 1: This includes the revenues from other telecommunication operators' use of TWM's networks and IDD delivery revenues.

Note 2: This includes counter-party default revenues and service revenues, etc.

TAIWAN MOBILE CO., LTD.
OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Item	Amount
Cost of goods sold	\$ 24,463,513
Leased-line charges	7,450,263
Depreciation	7,158,286
Interconnection cost (Note 1)	5,110,740
Rent and utilities expenses	3,555,957
Government Fees (Note 2)	1,985,511
Salaries and pension	1,056,929
Maintenance materials and constructions	958,782
Others (Note 3)	1,082,043
	\$ 52,822,024

Note 1: This includes airtime and interconnection charges paid to other telecommunication service providers.

Note 2: This includes the NCC's concession fees, frequency usage fees, number selection fees, etc.

Note 3: This includes expenses for maintaining telecommunication network and equipment.

TAIWAN MOBILE CO., LTD.
OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Marketing</u>	<u>Administrative</u>	<u>Total</u>
Commissions and mobile phone allowance	\$ 16,345,265	-	16,345,265
Salaries and pension	614,654	766,503	1,381,157
Professional service fees	1,023,903	209,610	1,233,513
Service charges	428,876	461,425	890,301
Repair expense	518,723	162,902	681,625
Depreciation	196,431	232,884	429,315
Bad debts	505	334,278	334,783
Telecommunication service fees	65,986	198,083	264,069
Amortization	834	261,796	262,630
Others (Note)	823,187	507,706	1,330,893
	<u>\$ 20,018,364</u>	<u>3,135,187</u>	<u>23,153,551</u>

Note: Each of the items was less than 5% of the total account balance.

TAIWAN MOBILE CO., LTD.
NET OTHER INCOME AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Please refer to Note 6(w) for related information.

TAIWAN MOBILE CO., LTD.
FINANCE COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Please refer to Note 6(x) for related information.