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Taiwan Mobile



2015 Annual Report

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Taiwan Mobile	Address	12F, No. 88, Yanchang Rd., Xinyi District, Taipei
	Telephone	(02) 6638-6888
	Customer Service	0809-000-852
	Website	www.taiwanmobile.com
Spokesperson	Name	Rosie Yu
	Title	Executive Vice President and Chief Financial Officer
	Telephone	(02) 6635-1880
	Email	spokesman1@taiwanmobile.com
Deputy Spokesperson	Name	Iris Liu
	Title	Vice President
	Telephone	(02) 6636-6979
	Email	spokesman2@taiwanmobile.com
IR Contact	Email	ir@taiwanmobile.com
Audit Committee	Email	twmauditcommittee@taiwanmobile.com
Stock Transfer Agent	Name	Transfer Agency and Registry Department of Fubon Securities Co., Ltd.
	Address	2F, No. 17, Xuchang St., Zhongzheng District, Taipei
	Telephone	(02) 2361-1300
	Website	www.fubon.com.tw
Independent Auditor	Deloitte & Touche	Li-wen Kuo, CPA, and Kwan-chuang Lai, CPA
	Address	12F, No. 156, Sec. 3, Minsheng E. Rd., Songshan District, Taipei
	Telephone	(02) 2545-9988
	Website	www.deloitte.com.tw
Listing of Foreign Securities	None	

Disclaimer

*Please note that this English annual report is not a word-for-word translation of the Chinese version.
In the event of any variance, the Chinese text shall prevail.*

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Letter to Shareholders

Dear Shareholders,

Armed with the largest contiguous 4G spectrum, Taiwan Mobile (“TWM” or “the Company”) continued to lead its peers in 2015, providing the best network coverage and the fastest download speed for mobile internet services. This, coupled with a wide selection of 4G smartphones and flexible data rate plans, helped TWM accumulate 3 million subscribers within one-and-a-half years after the launch of its 4G services, with its 4G penetration rate for postpaid subscribers hitting a high 43% by the end of 2015. The Company also boosted its 4G spectrum and network utilization rate by providing roaming services to a peer to accelerate its 4G investment’s payback. Given the Company’s ample network capacity and the medium to long-term prospects of the government releasing more spectrum, TWM withdrew from the 2.6GHz spectrum auction when bidding prices exceeded their fair market value. All these efforts demonstrate TWM’s commitment to maximizing its shareholders’ interests.

Taiwan Mobile reported a 2015 consolidated revenue of NT\$116.1bn and EBITDA of NT\$32.3bn, both of which rose 3% YoY. Net income increased 5% from a year ago to NT\$15.7bn. EPS came in at NT\$5.76, exceeding its full-year guidance by 14%. Earnings grew briskly on the back of a better-than-expected performance from its 4G operations, steady profit contribution from its cable TV business, lower non-operating expenses and one-off gains. As a result, the Company again outperformed its peers in delivering the highest EPS in 2015.

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

1. World-class corporate governance

Taiwan Mobile is committed to maintaining integrity as its core value and promoting corporate governance. The Company’s compliance with global standards has won not only the trust of investors, but also numerous awards and recognition from domestic and international rating institutions. Last year, it ranked among the top 5% of listed companies in the “Corporate Governance Assessment” conducted by the Taiwan Stock Exchange and the Taipei Exchange. Its efforts were also recognized by *FinanceAsia* magazine, whose “2015 Asia’s Best Companies Poll” ranked TWM among the best in its Taiwan’s Best Managed Public Companies, Best Corporate Governance and Best Investor Relations categories. In addition, TWM was selected for the fourth time as a member of the Dow Jones Sustainability Indices’ (the world’s first and most widely used global sustainability benchmarks) Emerging Markets Index.

2. A role model for corporate social responsibility

TWM’s efforts to employ its corporate and financial resources to assist non-profit organizations in promoting social welfare have gained wide recognition. Last year, the Company received for the eighth time the “Corporate Social Responsibility Award” from *Global Views Monthly* and “Excellence in Corporate Social Responsibility” by

CommonWealth magazine. It was also awarded top honors for the second year in a row by the Taiwan Institute for Sustainable Energy Research, receiving the following recognitions – “Taiwan’s Top 10 Role Model Company for Sustainability,” the “Integrity and Transparency Award,” the “Role Model Award for Community Service and Outreach” and “Taiwan’s Top 50 Corporate Sustainability Report Award – Gold Award in Telecom Sector.” In addition, the Company’s 2013 and 2014 corporate social responsibility reports received the International Standards on Assurance Engagements’ 3000 certification, the first and the only telecom operator to do so in Taiwan.

3. Premium services and customer satisfaction

With customer care as its core value, TWM offers premium customer services. Last year, it received for the fourth time a Qualicert certification from the Swiss firm SGS for its direct store channels and customer service system, and the “Trusted Brand Gold Award” from *Reader’s Digest* for the 12th consecutive year. Speed underscores TWM’s success in the field, with the Company winning the “2015 Taiwan’s Fastest Mobile Network” and the “2015 Taiwan’s Fastest 4G LTE” from Ookla, the internationally recognized standard for internet connection testing. TWM’s 4G download speed was also ranked No. 1 in speed tests independently conducted by *Apple Daily* and *Next Magazine*. The Company further outperformed its peers by delivering the fastest 3G download speed in 12 counties/cities out of a total of 22, according to the results of a National Communications Commission speed test announced on March 4, 2015. In addition, TWM’s 3G/4G networks topped customer satisfaction rates in a survey conducted by Insightxplorer Market Research.

The Taiwan telecom market is expected to move toward a healthier environment, with a fair usage policy and pay per use pricing as effective utilization of limited network resources and a sound tiered pricing structure ensure the telecom industry’s sustainability. In addition to leveling up revenue growth momentum, the Company will exercise stringent cost controls, including on expenditures such as handset subsidies. Cash savings from no payments for 2.6GHz spectrum concession, capital expenditure and related operating expenses will be used to boost the Company’s marketing flexibility and accelerate the monetization of its 4G investments ahead of its peers. TWM is confident in striking a balance between consumers’ needs and shareholders’ expectations and realizing its goal of maximizing shareholders’ profit with solid operating results.



Richard M. Tsai
Chairman

Chapter 1 Company Highlights

Vision

Taiwan Mobile's mission is to provide customers with the best user experience and become a leader in digital convergence. Our core values – “Think Sustainable, Act Responsible” – underlines our commitment to corporate social responsibility. With the launch of the “CSR Vision 2020 Project,” we have endeavored to promote corporate governance, environmental sustainability and community/social engagement to create the best value for the Company's shareholders, employees and society as we strive to become a top-tier company globally.

Core Competency

Leveraging on its 5C (Coverage/Convergence/Content/Channel/Cloud) core resources, TWM has integrated virtual and physical channels, telecommunications, media and digital convergence to create more digital benefits that meet society's demands. The Company provides customers the best service with the fastest download speed, the widest 4G coverage, innovative research and development, and world-class information security. TWM has become a leader in TIME: telecommunications, internet, media and entertainment.

Brand Image

With the firm belief that technology can make life richer and more convenient, TWM has never wavered in its quest to develop new and innovative services and technologies. Thanks to its superior network quality, it is able to provide clients with a richer and more enjoyable mobile experience.

Adopting a people-centric approach, TWM has turned complex technologies into simple, practical and user-friendly services. To stay ahead of the competition, the Company launched VoLTE (Voice over LTE) HD Voice with SRVCC (Single Radio Voice Call Continuity) technology, enabling phone connections with enhanced voice quality in a split second; Wali, a smart wallet app that employs NFC technology to enable the mobile phone with smartcard capabilities; and Time Capsule Message, an app that allows people to send messages into the future.

All these services require a fast and stable internet connection – a challenge that TWM has met since the launch of its 4G services. The Company was the winner of the “2015 Taiwan's Fastest Mobile Network” award from the world-renowned speed test platform Ookla Speedtest, based on nearly 12 million speed test challenges from users of all carriers across the nation.

TWM has always placed customers' needs as its top priority, as it continues its quest to be the first in quality and service to make it an integral part of each user's daily life.

Date of Incorporation

The Company was founded on February 25, 1997.

Milestones

March	2016	Joined Global e-Sustainability Initiative (GeSI) as the first member in Taiwan and the third member in Asia.
February	2016	The first Taiwanese telecom operator to showcase its SIM Management Platform and Global eSIM application at the Mobile World Congress.
January	2016	Launched the mobile payment service Wali.
January	2016	Launched VoLTE service, making TWM the first telecom operator to provide seamless high-quality internet voice service between 3G and 4G networks.
November	2015	Supported the government's "4G Smart City Plan" to build a smart city with intelligent video services and micro-business applications.
March	2015	Acquired an additional license for 5MHz x 2 spectrum in the 700MHz band, making TWM the sole operator providing contiguous 20MHz LTE services in Taiwan.
August	2014	Awarded an 1800MHz license and became the first to adopt carrier aggregation in the 700/1800 frequency bands for LTE services.
June	2014	Launched 4G services in the 700MHz band.
June	2014	Richard M. Tsai and Daniel M. Tsai were re-elected Chairman and Vice Chairman, respectively, at the 1 st meeting of the seventh Board of Directors.
April	2014	Received approval from the NCC to apply for 4G network roll-out.
January	2014	James Jeng was appointed President at the 16 th meeting of the sixth Board of Directors.
November	2013	Internet Data Center (IDC), which received an Uptime Institute Tier III certification for design and construction, began operations.
October	2013	Won two 15MHz x 2 blocks in the respective 700MHz (spectrum A4) and 1800MHz (spectrum C1) bands in the 4G auction.
November	2012	Launched mobile video service myVideo.
May	2012	Launched instant messaging service M+ messenger.
August	2011	Company's capital dropped to NT\$34.2bn after a capital reduction of NT\$3.8bn.
June	2011	Richard M. Tsai and Daniel M. Tsai were re-elected Chairman and Vice Chairman, respectively, at the 1 st meeting of the sixth Board of Directors.
April	2011	The Board of Directors approved the acquisition of a 51% stake in Fubon Multimedia Technology (also known as momo) for NT\$8.35bn through TWM's 100%-owned subsidiary Wealth Media Technology.

October	2010	Cliff Lai and Vivien Hsu were appointed Co-Presidents at the 17 th meeting of the fifth Board of Directors, effective January 1, 2011.
May	2010	TFN Media Co., Ltd. (TFNM), a TWM affiliate, acquired a 45% stake in Taiwan Kuro Times Co., Ltd. TFNM raised its stake to 100% in August 2011.
January	2009	Founded Taipei New Horizon Co., Ltd. (a 49.9% holding) with Fubon Land Development Co., Ltd. to develop a cultural park at the site of the old Songshan tobacco plant under a 50-year BOT contract with the Taipei City Government.
June	2008	Richard M. Tsai and Daniel M. Tsai were re-elected Chairman and Vice Chairman, respectively, at the 1 st meeting of the fifth Board of Directors.
February	2008	Introduced three new brands – Taiwan Mobile, TWM Broadband and TWM Solution – to provide consumers, households and enterprises with integrated telecommunication services, including wireless communication, cable TV and fixed-line services.
December	2007	Company's capital dropped to NT\$38bn after a capital reduction of NT\$12bn.
August	2007	Acquired a 45% stake in Taiwan Telecommunication Network Services Co., Ltd. (TTN). TWM raised its stake to 100% in August 2008 and merged it into Taiwan Fixed Network Co., Ltd. (TFN).
April	2007	Acquired an 84% stake in TFN. TWM acquired full ownership of TFN in December 2007.
January	2007	Launched 3.5G (HSDPA) services.
August	2006	Richard M. Tsai and Daniel M. Tsai were re-elected Chairman and Vice Chairman, respectively, at the 10 th meeting of the fourth Board of Directors.
June	2005	Richard M. Tsai and Daniel M. Tsai were re-elected Chairman and Vice Chairman, respectively, at the 1 st meeting of the fourth Board of Managing Directors.
May	2005	First in Taiwan to launch 3G (WCDMA) services.
November	2004	Joined the Bridge Mobile Alliance, the largest mobile alliance in Asia.
August	2004	Acquired a 67% stake in Mobitai, increasing its subscriber base to 8.2 million. TWM acquired full ownership of Mobitai In January 2006 and merged it into TransAsia Telecommunications (TAT) in December 2007.
July	2003	Harvey Chang was appointed President and CEO at the 15 th meeting of the third Board of Directors.
July	2003	Daniel M. Tsai and Richard M. Tsai were elected Chairman and Vice Chairman, respectively, at the 2 nd meeting of the third Board of Managing Directors.
August	2002	Listed on the Taiwan Stock Exchange.
May	2002	C. S. Chen was appointed President at the 2 nd meeting of the third Board of Directors.
April	2002	Jack T. Sun and Joseph Lee were re-elected Chairman and Vice Chairman, respectively, at the 1 st meeting of the third Board of Directors.
February	2002	Granted a 3G license.
July	2001	Acquired a 95.62% stake in TransAsia Telecommunications (TAT), boosting its subscriber base to

		6.42 million. TWM acquired full ownership of TAT in June 2006 and merged it into TWM in September 2008.
November	2000	Ray-Ying Fan was appointed President at the 8 th meeting of the second Board of Directors.
September	2000	First private telecom operator to trade on Taiwan's OTC market.
June	1999	Jack T. Sun and Joseph Lee were re-elected Chairman and Vice Chairman, respectively, at the 1 st meeting of the 2 nd Board of Directors.
January	1998	Started commercial operations.
December	1997	First nationwide private operator to obtain a GSM 1800 network operating license.
February	1997	Company was incorporated.
January	1997	Jack T. Sun and Joseph Lee were elected Chairman and Vice Chairman, respectively, while Lai-Ting Zou was appointed President at the 1 st meeting of the 1 st Board of Directors.
May	1996	Prepared for the Company's incorporation.

Awards and recognitions from 2015 up to the publication date in 2016

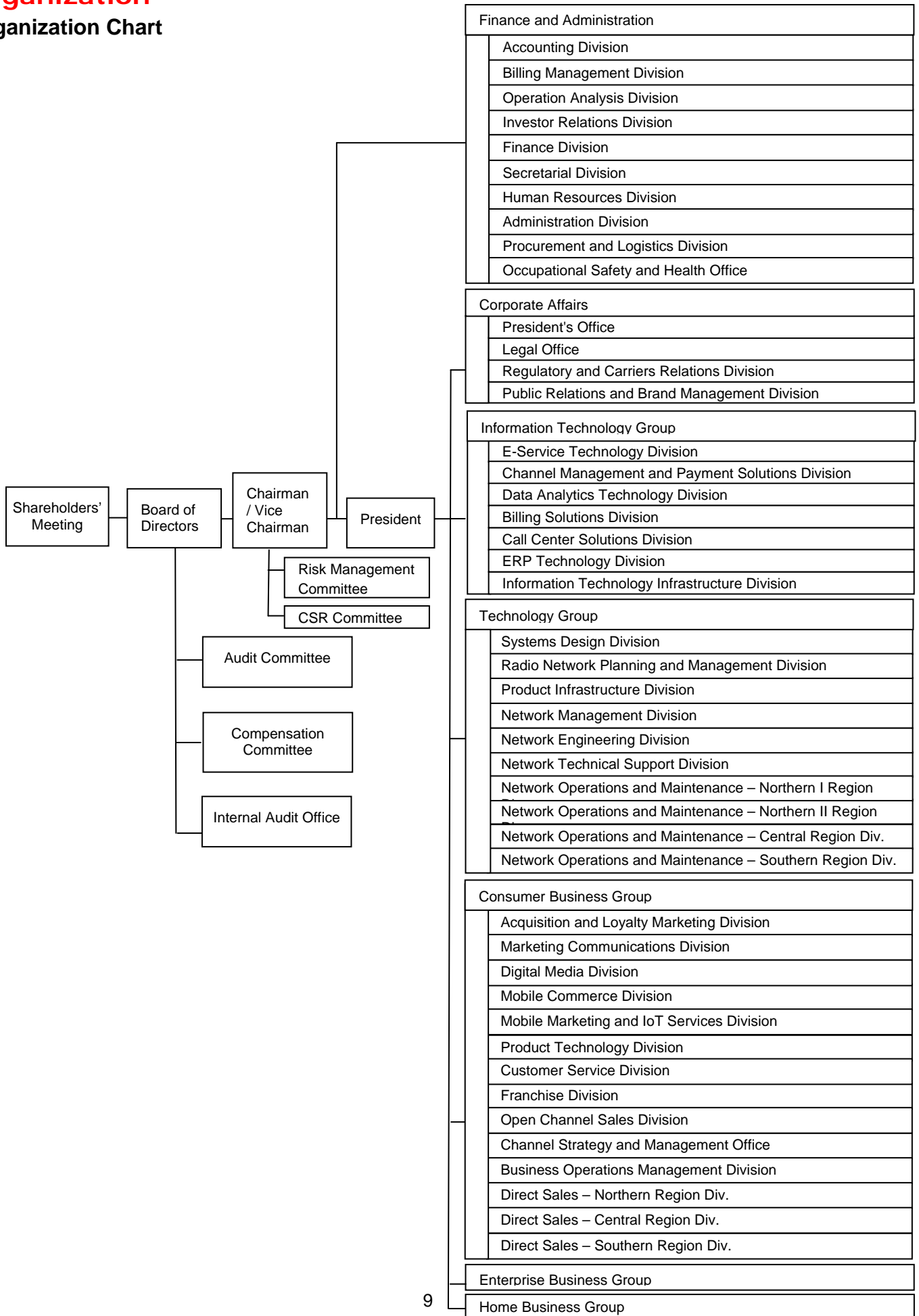
March	2016	Received honors in the categories of Taiwan's Best Managed Public Companies, Best Corporate Governance and Best Investor Relations in <i>FinanceAsia</i> magazine's 2016 Asia's Best Companies Poll.
February	2016	Won the "2015 Taiwan's Fastest Mobile Network" and "2015 Taiwan's Fastest 4G LTE" award from Ookla Speedtest, the world-renowned speed test platform.
January	2016	Awarded Tier III Gold Certification for Operational Sustainability for its cloud internet data center.
December	2015	Received internationally renowned Swiss firm SGS' Qualicert certification for its direct stores channel, myfone and customer services for the fourth time in a row.
November	2015	Received the following awards from the Taiwan Institute for Sustainable Energy Research: "Taiwan's Top 10 Role Model Company for Sustainability," "Integrity and Transparency Award," "Role Model Award for Community Service and Outreach" and "2015 Taiwan's Top 50 Corporate Sustainability Report Award – Gold Award in Telecom Sector."
November	2015	Received the "Service Sector Survey" award from <i>Global Views Monthly</i> .
November	2015	Received the highest-level Certification of CSA (Cloud Security Alliance) STAR (Security, Trust & Assurance Registry) for its cloud computing service.
November	2015	Received ISO 50001 certification for energy-efficient management for its myfone stores in Neihu and Songshan Cultural and Creative Park.
September	2015	Selected as a member of the Dow Jones Sustainability Indices' Emerging Markets Index for the fourth year in a row.
August	2015	Honored with the "2015 CommonWealth Corporate Citizen" award by <i>CommonWealth</i> magazine.
July	2015	Received the International Standards on Assurance Engagements (ISAE) 3000 certification for its 2014 corporate social responsibility report.
June	2015	Ranked among top 5% of listed companies in a "Corporate Governance Evaluation" conducted by the Taiwan Stock Exchange and Taipei Exchange.

June	2015	Received the “Trusted Brand Gold Award” for the 12 th consecutive year from <i>Reader’s Digest</i> .
April	2015	Received the 2015 CSR award – “Annual CSR Survey – Service and Finance Section” - from <i>Global Views Monthly</i> .
March	2015	Received the following honors from <i>FinanceAsia</i> magazine’s “2015 Asia’s Best Companies Poll” – Taiwan’s Best Managed Public Companies, Best Corporate Governance, Best Investor Relations and Best Companies Committed to Paying Good Dividends.
March	2015	Outperformed peers by delivering the fastest 3G download speed according to the 2H14 results announced by National Communications Commission.

Chapter 2 Organization and Corporate Governance

March 30, 2016

Organization Organization Chart



Divisional Scope of Responsibilities

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

Information Technology Group	E-Service Technology Division	Corporate website, e-service systems (e-store/myfone shopping) and fixed-network application systems Service-oriented architecture and enterprise service bus (SOA/ESB) IT governance, enterprise architecture, software development process and basic architecture software/tools development and management
	Channel Management and Payment Solutions Division	Sales, channel services and commission system solutions Enterprise management information system solutions Member center and payment service solutions
	Data Analytics Technology Division	Data analytics system solutions, including data warehouse, big data and business intelligence solutions System solutions for management of network assets, warehousing, maintenance and repair, and customer experience
	Billing Solutions Division	Billing systems operation and development
	Call Center Solutions Division	Call center infrastructure and operational management solutions Taiwan Fixed Network IT server operation and management
	ERP Technology Division	TWM's customer care application systems Enterprise resource planning (ERP) and human resources solutions Front-end customer management, sales management, and order and provision solutions for fixed-line business
	Information Technology Infrastructure Division	Data center, systems and network infrastructure construction and operations management Implementation of information security policy
Technology Group	Systems Design Division	Plan and design core, IP and transmission network systems for mobile and fixed networks Verification testing of network elements
	Radio Network Planning and Management	Radio network strategy development and planning Site planning and performance management Radio network quality management
	Product Infrastructure Division	Design, build, operate and manage: - Cloud internet data center (IDC) - Infrastructure as a service (IaaS) - Value-added services and innovative products
	Network Management Division	24-hour supervision of mobile/fixed network management Technical support for customers with network issues Network security management of Technology Group
	Network Engineering Division	Mobile telecom and fixed-network business' infrastructure budget and outsourced engineering and construction projects Applications for base station co-location, technical approvals and cable/conduit management for government agencies Fixed-network service management, project evaluation and coordination
	Network Technical Support Division	Mobile-network technical support Fixed-network technical support IP-based network technical support
	Network Operations and Maintenance – Northern I, Northern II, Central and Southern Regions	2G/3G/4G and fixed-network construction, expansion, operation, maintenance and optimization, including core, transmission and radio networks Network construction management and technical support

Consumer Business Group	Acquisition and Loyalty Marketing Division	Develop and execute strategies to acquire new customers, increase customer loyalty and lower churn rates for postpaid users Manage mobile broadband and mobile internet users and related revenue Strategy development for prepaid business
	Marketing Communications Division	Manage TWM Group brand identity, strategic development, integrated marketing communication and implement advertising campaigns Execute store signage / interior design and customer retention activities Integrate and operate company website, including e-marketing, online sales and customer service
	Digital Media Division	Product planning, development, management, quality assurance and strategy setting for online music, online bookstore, cloud video, mobile gaming and legacy value-added services (VAS)
	Mobile Commerce Division	Development and management of mobile commerce business Merchandise and supplier management, marketing, member recruiting and system development Product planning, merchant acquisition and end-user promotion of mobile wallet, O2O target marketing and smart business district
	Mobile Marketing and IoT Services Division	Provide mobile advertising solutions based on big data analysis Monitor and analyze IoT industry developments to define TWM's position and formulate strategies
	Product Technology Division	Technical consultation and solution analysis for VAS products and customer premises equipment (CPE) technologies Solutions design, systems development and delivery for VAS products and marketing promotions
	Customer Service Division	Customer service and call center management Telemarketing sales and customer retention
	Franchise Division	Supervision of franchisees' product promotion, distribution and customer service
	Open Channel Sales Division	Open channel development, distribution and management of postpaid, prepaid products and agency/sales of mobile phones
	Channel Strategy and Management Office	Channel strategy development and performance management Channel sales support, store display design, and in-store activities planning and execution Sales training program planning and service quality management
	Business Operations Management Division	Store operating system optimization and standards formulation Channel operation quality assurance to minimize corporate business risk Sale channel resources management and commission/awards calculation
	Direct Sales Division – Northern, Central and Southern Regions	Product sales, customer service and execution of projects at company stores
Enterprise Business Group	Strategy development and business analysis Direct sales and channel development, and customer relationship management Inter-carrier relations and international business (including international roaming) planning and implementation	
Home Business Group	Implementation of integrated technology solutions for the development of new products and VAS to increase video and broadband internet access penetration rates and overall revenue Expansion of two-way optical network to broaden coverage and ensure better internet access quality and stable cable signals	

Board of Directors and Executive Management

Board of Directors

The board of directors, acting on behalf of the Company's shareholders, is charged with the task of supervising the management team. The board is composed of nine experienced directors (one female) and includes four independent directors who are well-known in the legal, accounting, finance and telecommunications fields. This more than fulfills current regulations requiring public companies to have at least two independent directors. The Audit Committee, composed entirely of independent directors, replaced board supervisors. Information on the Company's Seventh Board of Directors is detailed below:

As of March 30, 2016

Title	Name	Date elected	Term expires	Shareholding when elected		Current shareholding		Spouse/minor's shareholdings		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
				Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	Fu-Chi Venture Corp. Representative: Richard M. Tsai	2014.06.12	2017.06.11	5,748,763	0.168	5,748,763 *90,257,938	0.168 *2.638	5,986,496	0.175	MBA, Stern School of Business, New York University BA, National Taiwan University Chairman, Fubon Life Insurance Co., Ltd. Chairman, Fubon Securities Co., Ltd.	Vice Chairman, Fubon Financial Holdings Co., Ltd. Vice Chairman, Taipei Fubon Commercial Bank Co., Ltd. Chairman, Taiwan Fixed Network Co., Ltd.	Vice Chairman	Daniel M. Tsai	Brother
Vice Chairman	Fu-Chi Venture Corp. Representative: Daniel M. Tsai	2014.06.12	2017.06.11	5,748,763	0.168	5,748,763 *92,109,990	0.168 *2.693	4,580,070	0.134	LLM, Georgetown University LLB, National Taiwan University Chairman, Fubon Land Development Co., Ltd. Chairman, Fubon Insurance Co., Ltd.	Chairman, Fubon Financial Holdings Co., Ltd. Chairman, Taipei Fubon Commercial Bank Co., Ltd.	Chairman	Richard M. Tsai	Brother
Director	TCC Investment Co., Ltd. Representative: James Jeng	2014.06.12	2017.06.11	200,496,761	5.861	200,496,761 *_	5.861 *_	—	—	PhD and MS in Electrical and Computer Engineering, New York State University BS in Electrical Engineering, National Cheng Kung University Chairman and CEO, Kbro Co., Ltd. Chief Technology Officer and Chief Operating Officer of Home Business Group, Taiwan Mobile Co., Ltd. President, Asia Pacific Online CEO, Asia Pacific Broadband Telecom Co., Ltd. CEO, Asia Pacific Broadband and Wireless Communications Inc. CEO, Asia Pacific Telecom Group Executive Vice President, United Fiber Optic Communication Inc. Member of Technical Staff, AT&T Bell Labs, USA	President, Taiwan Mobile Co., Ltd. Director and President, Taiwan Cellular Co., Ltd. Director and President, Wealth Media Technology Co., Ltd. Director, Taipei New Horizon Co., Ltd. Director and President, Taiwan Fixed Network Co., Ltd. Chairman, Taiwan Teleservices & Technologies Co., Ltd. Chairman and President, Taiwan Digital Service Co., Ltd. Director and President, TFN Media Co., Ltd. Chairman, Win TV Broadcasting Co., Ltd. Director, momo.com Inc. Chairman and President, TWM Communications (Beijing) Co., Ltd. Chairman, Taiwan Kuro Times Co., Ltd. Chairman, Yeong Jia Leh Cable TV Co., Ltd. Chairman, Phoenix Cable TV Co., Ltd. Chairman, Union Cable TV Co., Ltd. Chairman, Globalview Cable TV Co., Ltd.	—	—	—
Director	TCC Investment Co., Ltd. Representative: Howard Lin (Note 1)	2014.06.12	2017.06.11	200,496,761	5.861	200,496,761 *_	5.861 *_	—	—	PhD in Chemical Engineering, National Taiwan University Senior Vice President, Fubon Financial Fubon Financial Holdings Co., Ltd. President, Fubon Asset Management Co., Ltd. Manager, Technical & Development Dept., Grand Pacific Petrochemical Corp.	Chief Investment Officer, Fubon Financial Holdings Co., Ltd. Vice Chairman, Fubon Life Insurance Co., Ltd. Vice Chairman, Fubon Financial Holding Venture Capital Corp. Chairman, momo.com Inc. Director, Fu Sheng Travel Service Co., Ltd. Director, Hong Kong Fubon Multimedia Technology Co., Ltd. Director, Fubon Asset Management Co., Ltd.	—	—	—

Title	Name	Date elected	Term expires	Shareholding when elected		Current shareholding		Spouse/minor's shareholdings		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
				Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director	Fu-Chi Venture Corp. Representative: Vivien Hsu	2014.06.12	2017.06.11	5,748,763	0.168	5,748,763 *8,377	0.168 *0.000	—	—	MBA, University of New South Wales, Sydney, Australia MBA, National Chengchi University Co-President, Taiwan Mobile Co., Ltd. Senior Vice President and Chief Financial Officer, Taiwan Mobile Co., Ltd. Chairman, Win TV Broadcasting Co., Ltd. Senior Consultant and Acting President, Taiwan Fixed Network Co., Ltd. Chairman, Taiwan Tele-Shop Co., Ltd. Senior Vice President and Chief of Staff, Taiwan Mobile Co., Ltd. Chief Financial Officer, Cathay Financial Holdings Co., Ltd.	Director and President, Fubon Financial Holdings Co., Ltd. Director, Fubon Bank (China) Co., Ltd. Non-Executive Director, Fubon Bank (Hong Kong) Ltd. Director, Taipei Fubon Commercial Bank Co., Ltd. Supervisor, Commerce Development Research Institute Supervisor, Taiwan Mergers & Acquisitions and Private Equity Council	—	—	—
Independent Director	Jack J.T. Huang	2014.06.12	2017.06.11	—	—	—	—	—	—	SJD., Harvard University LLM, Northwestern University LLB, National Taiwan University	Chairman of Remuneration Committee and Member of Audit Committee, Taiwan Mobile Co., Ltd. Partner-in-charge, Jones Day Taipei Independent Director, World Peace Holding Independent Director, Systex Corp. Independent Director, CTCI Corp. Director, Yulon Motor Co., Ltd.	—	—	—
Independent Director	Tsung-Ming Chung	2014.06.12	2017.06.11	—	—	—	—	—	—	MBA, National Chengchi University BBA, National Taiwan University CPA, ROC CPA, Connecticut, USA Instructor, Department of Accounting, National Taiwan University Lecturer, Department of Accounting, National Chengchi University Partner, T.N. Soong & Co.	Chairman of Audit Committee and Member of Remuneration Committee, Taiwan Mobile Co., Ltd. Chairman, Dynapack Technology Corp. Independent Director, Chroma ATE Inc. Director, Far Eastern International Commercial Bank Director, Unity Opto Technology Co., Ltd. Independent Director and Chairman of Audit Committee, Silicon Motion Technology Corp.	—	—	—
Independent Director	Hsueh-Jen Sung	2014.06.12	2017.06.11	—	—	—	—	—	—	MBA, Harvard University Master of Commerce, National Chengchi University Bachelor of Science, National Chiao Tung University Vice Chairman and member of Global Partnership Committee and Asian Management Committee, Goldman Sachs (Asia) Ltd. President and CEO, Grand Cathay Securities Corp. Country Manager, Westpac Banking Corp.	Member of Audit Committee and Remuneration Committee, Taiwan Mobile Co., Ltd. Chairman, Vacluse Capital Management Ltd. Chairman, Shin Chiuan Capital Management Ltd.	—	—	—
Independent Director	Guu-Chang Yang	2014.06.12	2017.06.11	—	—	—	—	—	—	PhD in Electrical Engineering, University of Maryland at College Park Distinguished Professor, Department of Electrical Engineering / Institute of Communications Engineering, National Chung Hsing University Chairman, Department of Electrical Engineering, National Chung Hsing University Professor, Department of Electrical Engineering, National Chung Hsing University	Member of Audit Committee and Remuneration Committee, Taiwan Mobile Co., Ltd. Chair Professor, Department of Electrical Engineering / Institute of Communications Engineering, National Chung Hsing University	—	—	—

* Personal shareholdings

Note 1: Howard Lin had served as a representative of an institutional director of TWM from June 13, 2008 to September 18, 2009.

Note 2: Shareholdings of less than 0.001% are denoted as "0.000" and zero shareholdings are denoted as "—".

1. Major shareholders of TWM's institutional investors

As of March 30, 2016

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

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

As of March 30, 2016

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

3. Qualifications and independence criteria of directors

As of March 30, 2016

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

"V" denotes meeting the conditions specified above

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

Criterion 2: Not a director or supervisor of the Company or the Company's affiliated companies (unless the person is an independent director of the Company, the Company's parent company or any subsidiary of the Company)

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

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

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

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

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

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

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

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

Management Team

As of March 30, 2016

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

Title / Division	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Executive Vice President and Chief Financial Officer / Finance and Administration	Rosie Yu	2014.04.29	-	-	BA, National Taiwan University Senior Vice President and Chief Financial Officer, Taiwan Mobile Co., Ltd. Chairman, Global Investment Advisory (HK) Ltd. President, Global Investment Holdings Co., Ltd. General Manager, Credit Lyonnais Securities (Asia) Ltd., Taipei Branch General Manager, Citicorp International Securities Ltd., Taipei Branch Executive Vice President, China Securities Co., Ltd.	Director, Taiwan Kuro Times Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Union Cable TV Co., Ltd. Director, Globalview Cable TV Co., Ltd. Director, Taiwan Pelican Express Co., Ltd. Supervisor, Taiwan Cellular Co., Ltd. Supervisor, Wealth Media Technology Co., Ltd. Supervisor, Taiwan Fixed Network Co., Ltd. Supervisor, Taiwan Teleservices & Technologies Co., Ltd. Supervisor, Taiwan Digital Service Co., Ltd. Supervisor, TFN Media Co. Ltd. Supervisor, Win TV Broadcasting Co., Ltd. Supervisor, TWM Communications (Beijing) Co., Ltd.	-	-	-
Vice President / Finance and Administration	Jay Hong	2004.05.06	5,000/0.000	-	EMBA, National Sun Yat-sen University President, Taiwan Teleservices & Technologies Co., Ltd. Vice President, Direct Store Division, Taiwan Mobile Co., Ltd. Vice President, Customer Service Division, TransAsia Telecommunications Inc. Director, Procurement Division, TransAsia Telecommunications Inc.	Supervisor, Yeong Jia Leh Cable TV Co., Ltd. Supervisor, Phoenix Cable TV Co., Ltd. Supervisor, Union Cable TV Co., Ltd. Supervisor, Globalview Cable TV Co., Ltd.	-	-	-
Vice President and Acting General Counsel / Corporate Affairs	Ariel Hwang	2016.03.01	-	-	EMBA, National Taiwan University LLM, National Chung Hsing University LLB, National Taiwan University Judge, Taiwan High Court Judge, Taiwan Taipei District Court Judge, Taiwan New Taipei District Court Judge, Taiwan Taoyuan District Court	Supervisor, Taipei New Horizon Co., Ltd. Supervisor, Yeong Jia Leh Cable TV Co., Ltd. Supervisor, Phoenix Cable TV Co., Ltd. Supervisor, Union Cable TV Co., Ltd. Supervisor, Globalview Cable TV Co., Ltd. Legal Consultant, Fubon Financial Holdings Co., Ltd.	-	-	-

Title / Division	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Vice President / Corporate Affairs	Iris Liu	2014.07.14			EMBA, National Chengchi University BA in Information Communication, Tamkang University Vice President, Taiwan Television Enterprise Ltd. Chairman, TTV Cultural Enterprise Ltd.	Vice President, Taipei New Horizon Co., Ltd.	—	—	—
Vice President / Corporate Affairs	Naomi Lee	2015.08.03			LLB, National Taiwan University General Counsel, Kbro Co., Ltd. Attorney, InfoShare Tech Law Office Legal Director and VP, Taiwan Broadband Communications Senior Legal Manager, Lucent Technologies Attorney, Lee and Li Attorneys-at-Law Attorney, Russin & Vecchi International Legal Counsellors	None			
Vice President / Information Technology Group	James Chang	2004.09.17	163,084/0.005	—	MS in Computer Science, University of Illinois at Chicago Director, AT&T Laboratories Senior Director, TBCommerce Network Corp. Senior Delivery Manager, IBM Global Services District Manager, AT&T Laboratories	None	—	—	—

Title / Division	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Senior Vice President and Chief Technology Officer / Technology Group	C.H. Jih	2014.04.29	-	-	Electronics Engineering, National Taipei Industry of Technology Institute Chief Technology Officer, Kbro Co., Ltd. Vice President, TFN Media Co., Ltd. Vice President, Taiwan Fixed Network Co., Ltd. Engineering Vice President, Taiwan Cellular Corp. Vice President, Suretone Telecom Inc. Project Manager, Siemens Telecom, Vietnam Region	Director, TWM Communications (Beijing) Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Union Cable TV Co., Ltd. Director, Globalview Cable TV Co., Ltd. Independent Director, ACTi Corp. Supervisor, Taiwan Kuro Times Co., Ltd.	-	-	-
Vice President / Technology Group	Egon Chen	2004.02.16	35,158/0.001	-	EMBA, National Taiwan University BS in Electrical Engineering, Tamkang University Vice President, Howin Technologies Corp. Senior Director, Taiwan Fixed Network Co., Ltd. Director, Suretone Telecom Inc.	None	-	-	-
Vice President / Technology Group	Chien Chen	2004.02.16	-	-	EMBA, National Taiwan University Vice President, Howin Technologies Corp. Vice President, Taiwan Fixed Network Co., Ltd. Director, Suretone Telecom Inc. Manager, Siemens Telecom Systems Ltd.	None	-	-	-

Title / Division	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Vice President / Technology Group	Tom Koh	2011.10.17	-	-	PhD in Electrical and Computer Engineering, Johns Hopkins University Senior Director, Qualcomm Senior Technical Marketing Engineer, Cisco-Linksys Senior Sales Engineer, Ensemble Communications Senior Technologist, Motorola Member of Tech Staff, Bellcore	None	-	-	-
Senior Vice President and Acting Chief Business Officer / Consumer Business Group	Jeff Ku	2014.04.29	2,243/0.000	-	EMBA, National Taiwan University MBA, University of Wollongong, Australia Vice President, Taiwan High Speed Rail Corp. Director, Far EasTone Telecommunications Co., Ltd.	Director, TWM Communications (Beijing) Co., Ltd. Director and President, Taiwan Kuro Times Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Union Cable TV Co., Ltd. Director, Globalview Cable TV Co., Ltd. Director, Alliance Digital Technology Co., Ltd.	-	-	-
Vice President / Consumer Business Group	Steve Chou	2011.04.25	-	-	MBA, Southern Methodist University, Texas Senior Vice President, Customer Service, HSBC Bank (Taiwan) Ltd. General Manager, Secured Lending, Standard Chartered Bank, Taiwan Vice President, Customer Service, Sparq Telecom Vice President, Customer Service, TransAsia Telecommunications Inc. Assistant Vice President, Credit Card, Citibank, N.A., Taiwan	Director and President, Taiwan Teleservices & Technologies Co., Ltd.	-	-	-

Title / Division	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Vice President / Consumer Business Group	Daphne Lee	2014.07.07	–	–	MBA, National Chengchi University Director, Alibaba Group Director, Yahoo! Taiwan Vice President, Citibank Taiwan	None	–	–	–

Note: Shareholdings of less than 0.001% are denoted as "0.000" and zero shareholdings are denoted as "–".

Compensation to directors and management executives

1. Compensation to directors

Unit: NT\$

Title		Chairman	Vice Chairman	Director	Director	Director	Independent Director					
Name		Fu-Chi Venture Corp.	Fu-Chi Venture Corp.	TCC Investment Co., Ltd.	TCC Investment Co., Ltd.	Fu-Chi Venture Corp.	Jack J.T. Huang	Tsung-Ming Chung	Hsueh-Jen Sung	Guu-Chang Yang		
Representative		Richard M. Tsai	Daniel M. Tsai	James Jeng	Howard Lin	Vivien Hsu						
Director's compensation	Cash compensation (A)	Stand-alone					45,482,661					
		Consolidated					56,875,511					
	Pension (B)	Stand-alone					—					
		Consolidated					—					
	Director's remuneration (C)	Stand-alone					45,475,676					
		Consolidated					45,475,676					
	Professional fee (D)	Stand-alone					1,450,000					
		Consolidated					2,380,000					
A+B+C+D as a % of net profit		Stand-alone					0.5891%					
		Consolidated					0.6677%					
Compensation as an employee	Performance-based salary (E)	Stand-alone					15,410,324					
		Consolidated					15,410,324					
	Retirement pay of employees (F)	Stand-alone					108,000					
		Consolidated					108,000					
	Earnings paid as bonus to employees (G)	Stand-alone	Cash bonus					4,492,757				
			Stock bonus					—				
		Consolidated	Cash bonus					4,492,757				
			Stock bonus					—				
	Employee stock option granted (H)	Stand-alone					—					
		Consolidated					—					
New restricted employee shares (I)	Stand-alone					—						
	Consolidated					—						
A+B+C+D+E+F+G as a % of net profit		Stand-alone					0.7167%					
		Consolidated					0.7952%					
Compensation from investees other than subsidiaries						—						
Other allowance		Stand-alone					1,063,916					
		Consolidated					1,063,916					

2. Range of compensation to directors

Range of compensation to directors	Name of directors			
	Director's compensation		Director's compensation + Compensation as an employee	
	On a stand-alone basis	On a consolidated basis	On a stand-alone basis	On a consolidated basis
NT\$0~NT\$1,999,999	James Jeng, Howard Lin, Vivien Hsu	James Jeng, Vivien Hsu	Howard Lin, Vivien Hsu	Vivien Hsu
NT\$2,000,000~NT\$4,999,999				
NT\$5,000,000~NT\$9,999,999	TCC Investment Co., Ltd., Jack J.T. Huang, Tsung-Ming Chung, Hsueh-Jen Sung, Guu-Chang Yang	TCC Investment Co., Ltd., Jack J.T. Huang, Tsung-Ming Chung, Hsueh-Jen Sung, Guu-Chang Yang, Howard Lin	TCC Investment Co., Ltd., Jack J.T. Huang, Tsung-Ming Chung, Hsueh-Jen Sung, Guu-Chang Yang	TCC Investment Co., Ltd., Jack J.T. Huang, Tsung-Ming Chung, Hsueh-Jen Sung, Guu-Chang Yang, Howard Lin
NT\$10,000,000~NT\$14,999,999				
NT\$15,000,000~NT\$29,999,999	Fu-Chi Venture Corp., Richard M. Tsai, Daniel M. Tsai	Fu-Chi Venture Corp., Richard M. Tsai, Daniel M. Tsai	Fu-Chi Venture Corp., Richard M. Tsai, Daniel M. Tsai, James Jeng	Fu-Chi Venture Corp., Richard M. Tsai, Daniel M. Tsai, James Jeng
NT\$30,000,000~NT\$49,999,999	—	—	—	—
NT\$50,000,000~NT\$99,999,999	—	—	—	—
NT\$100,000,000 and above	—	—	—	—
Total	11	11	11	11

3. Compensation to management executives

Unit: NT\$

Title and name	President, James Jeng; Executive Vice President and Chief Financial Officer, Rosie Yu; Senior Vice President and Chief Technology Officer, C.H. Jih; Senior Vice President and Acting Chief Business Officer, Jeff Ku; Vice President and Acting General Counsel, Ariel Hwang; Vice President, Jay Hong; Vice President, Iris Liu; Vice President, Naomi Lee; Vice President, James Chang; Vice President, Egon Chen; Vice President, Chien Chen; Vice President, Tom Koh; Vice President, Steve Chou ; Vice President, Daphne Lee <u>Resigned managers:</u> Vice President, Joseph Yang; Vice President, Sean Hsieh; Vice President, Paul Huang	Total	
Salary (A)	Stand-alone	80,126,455	
	Consolidated	80,459,455	
Pension (B) (Note)	Stand-alone	1,772,400	
	Consolidated	1,772,400	
Performance-based salary (C)	Stand-alone	38,234,853	
	Consolidated	38,294,853	
Earnings paid as bonus to employees (D)	Stand-alone	Cash	32,334,039
		Stock	—
	Consolidated	Cash	32,334,039
		Stock	—
A+B+C+D as a % of net profit	Stand-alone	0.9720%	
	Consolidated	0.9745%	
Employee stock options	Stand-alone	—	
	Consolidated	—	
New restricted employee shares	Stand-alone	—	
	Consolidated	—	
Compensation from investees other than subsidiaries		40,000	
Other allowance	Stand-alone	3,282,523	
	Consolidated	3,282,523	

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

4. Range of compensation to management executives

Range of compensation to management executives	Name of management executives	
	On a stand-alone basis	On a consolidated basis
NT\$0~NT\$1,999,999	—	—
NT\$2,000,000~NT\$4,999,999	Naomi Lee	Naomi Lee
NT\$5,000,000~NT\$9,999,999	C.H. Jih, Ariel Hwang, Jay Hong, Iris Liu, Egon Chen, Chien Chen, Tom Koh, Steve Chou, Daphne Lee ,Joseph Yang, Sean Hsieh, Paul Huang	C.H. Jih, Ariel Hwang, Jay Hong, Iris Liu, Egon Chen, Chien Chen, Tom Koh, Steve Chou, Daphne Lee ,Joseph Yang, Sean Hsieh, Paul Huang
NT\$10,000,000~NT\$14,999,999	Rosie Yu, Jeff Ku, James Chang	Rosie Yu, Jeff Ku, James Chang
NT\$15,000,000~NT\$29,999,999	James Jeng	James Jeng
NT\$30,000,000~NT\$49,999,999	—	—
NT\$50,000,000~NT\$99,999,999	—	—
NT\$100,000,000 and above	—	—
Total	17	17

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

5. Compensation mix of management executives

Title and name of managers	Salary and Pension	Performance-based salary	Earnings paid as bonus to employees
President, James Jeng	49.5%	28.0%	22.5%
Executive Vice President and Chief Financial Officer, Rosie Yu	46.1%	25.4%	28.5%
Senior Vice President and Chief Technology Officer, C.H. Jih	51.7%	26.8%	21.5%
Senior Vice President and Acting Chief Business Officer, Jeff Ku	52.6%	25.5%	21.9%
Vice President and Acting General Counsel, Ariel Hwang	48.5%	25.4%	26.1%
Vice President, Jay Hong	49.5%	23.9%	26.6%
Vice President, Iris Liu	48.1%	26.4%	25.5%
Vice President, Naomi Lee	49.5%	25.8%	24.7%
Vice President, James Chang	47.5%	27.0%	25.5%
Vice President, Egon Chen	55.0%	24.2%	20.8%
Vice President, Chien Chen	49.9%	23.2%	26.9%
Vice President, Tom Koh	54.4%	24.9%	20.7%
Vice President, Steve Chou	48.7%	24.5%	26.8%
Vice President, Daphne Lee	50.0%	25.2%	24.8%
Vice President, Joseph Yang [*]	74.4%	25.6%	0.0%
Vice President, Sean Hsieh [*]	82.7%	17.3%	0.0%
Vice President, Paul Huang [*]	82.5%	17.5%	0.0%

* Resigned manager

6. Managers and employee bonuses

Unit: NT\$
As of March 30, 2016

Title and name of managers	Stock bonus	Cash bonus	Total	As a % of net profit
President, James Jeng Executive Vice President and Chief Financial Officer, Rosie Yu Senior Vice President and Chief Technology Officer, C.H. Jih Senior Vice President and Acting Chief Business Officer, Jeff Ku Vice President and Acting General Counsel, Ariel Hwang Vice President, Jay Hong Vice President, Iris Liu Vice President, Naomi Lee Vice President, James Chang Vice President, Egon Chen Vice President, Chien Chen Vice President, Tom Koh Vice President, Steve Chou Vice President, Daphne Lee	—	32,334,039	32,334,039	0.2061%

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

1. Compensation to directors

Unit: NT\$

Type	Year	Compensation to directors	Net income	As a % of net income
On a stand-alone basis	2014	128,672,799	15,006,337,077	0.8575%
	2015	112,419,418	15,686,186,313	0.7167%
On a consolidated basis	2014	140,975,703	15,006,337,077	0.9394%
	2015	124,742,268	15,686,186,313	0.7952%

Guiding principles for compensation to directors

Remuneration policies, standards and package

- (1) Directors' (including Independent Directors') remuneration and compensation are paid according to the Company's Articles of Incorporation and "Rules for Setting Director's Remuneration" as approved by the board. Remuneration or other equivalent allowance for directors is based on their involvement in the Company's operations, contribution to the Company, and industry norms. Compensation for directors is pursuant to the ratio specified in the Company's Articles of Incorporation, when the company makes a profit.
- (2) Transportation allowances are paid based on attendance in board meetings and for services rendered as the chairman of or a member of the Audit Committee or Compensation Committee.

Procedure for setting remuneration

- (1) In accordance with the Company's Articles of Incorporation (which will be amended in the 2016 general shareholders' meeting), compensation for directors shall not exceed 0.3% of the Company's annual profit after deducting losses from previous years.
- (2) Directors' remuneration and transportation allowances are determined in accordance with the "Rules for Setting Director's Remuneration."

Performance factor

According to the Company's Articles of Incorporation, remuneration to directors is based on the company's operating profit. Remuneration to each director is assessed based on his/her contribution to the operations of the Company and the board. The Compensation Committee reviews the compensation mechanism periodically, taking future operating risks, environmental conservation and corporate social responsibility into consideration.

2. Compensation to management executives

Unit: NT\$

Type	Year	Compensation to management executives	Net profit	As a % of net profit
On a stand-alone basis	2014	173,834,297	15,006,337,077	1.1584%
	2015	152,467,747	15,686,186,313	0.9720%
On a consolidated basis	2014	173,869,297	15,006,337,077	1.1586%
	2015	152,900,747	15,686,186,313	0.9747%

Guiding principles for compensation to management executives

Remuneration policies, standards and package

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

Procedure for setting performance bonus

- (1) In accordance with the Company's Articles of Incorporation (which will be amended in the 2016 general shareholders' meeting), employee profit sharing shall come from the pool of 1% to 3% of the Company's annual net income after deducting losses from previous years.
- (2) Year-end bonuses are set based on the Company's performance and the annual budget approved by the board and the chairman.

Performance factor

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

Corporate Governance

Board of Directors attendance

1. The Board of Directors convened four meetings in 2015

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Chairman	Fu-Chi Venture Corp. Representative: Richard M. Tsai	3	1	75%	One absence due to other official business with proxy assigned to the Vice Chairman.
Vice Chairman	Fu-Chi Venture Corp. Representative: Daniel M. Tsai	4	0	100%	None
Director	TCC Investment Co., Ltd. Representative: James Jeng	4	0	100%	None
Director	TCC Investment Co., Ltd. Representative: Howard Lin	4	0	100%	None
Director	Fu-Chi Venture Corp. Representative: Vivien Hsu	4	0	100%	None
Independent Director	Jack J.T. Huang	4	0	100%	None
Independent Director	Tsung-Ming Chung	4	0	100%	None
Independent Director	Hsueh-Jen Sung	4	0	100%	None
Independent Director	Guu-Chang Yang	4	0	100%	None

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

3. Any conflict of interest among directors: None

4. Other BOD objectives:

- (1) Training programs for directors: Aside from encouraging directors to attend outside seminars, the Company holds annual in-house seminars to facilitate interactions between lecturers and directors. In-house seminars in 2015 included "Platform strategy" and "Green economy and low-carbon innovations: global trends and opportunities."
- (2) Information transparency: Committed to upholding transparency in operations and protecting shareholders' interests, the Company regularly discloses resolutions by the Board of Directors in a timely and consistent manner. In addition, the Company holds institutional investors' conferences on a quarterly basis.
- (3) Liability insurance: The Company purchases annual liability insurance for its directors and managers to cover risks as they carry out their duties, and reviews the insurance coverage on an annual basis to make sure the amount and scope are sufficient to the need.
- (4) The Chairman and Vice Chairman of the Board of Directors are not members of the Company's management team to maintain a system of checks and balances.
- (5) The Audit Committee and the Remuneration Committee, composed entirely of independent directors, assist the Board of Directors in carrying out supervisory tasks. The chairperson of each committee reports on their committee's operations to the Board on a regular basis.

Audit Committee attendance

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

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

1. The Audit Committee convened five times in 2015

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Tsung-Ming Chung	5	0	100%	Appointed committee chairman
Independent Director	Jack J.T. Huang	5	0	100%	None
Independent Director	Hsueh-Jen Sung	5	0	100%	None
Independent Director	Guu-Chang Yang	5	0	100%	None

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

3. Any conflict of interest among independent directors: None

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

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

meetings.

Corporate governance practices

Item		Current practice
Has the Company established principles based on the “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”?		The Company has established said “Corporate Governance Best Practice Principles” and published them on the Company’s official website and MOPS (Market Observation Post System).
Shareholding structure and shareholders’ interests	Handling of shareholders’ suggestions and disputes	The “Corporate Governance Best Practice Principles” includes a chapter on upholding shareholders’ interests. The spokesperson or Secretarial Division handles all non-legal issues; the legal division handles all legal issues.
	Identification of major shareholders and investors with controlling interests	The Secretarial Division submits a monthly report listing the shareholdings of directors, managers and major shareholders (over 10% shareholding) to the authorities.
	Risk control mechanisms and firewalls between the Company and its subsidiaries	The Company’s internal control system set up the “Rules and Procedures on Conducting Transactions between Group Companies and Related Parties” and the “Rules and Procedures on Monitoring Subsidiaries” as risk control mechanisms.
	Prohibitions on insider trading	The Company has established “Rules and Procedures on Handling Internal Material Information.”
Board of directors and its responsibilities	Board diversity and execution	Board appointments and member qualifications are stipulated in the Company’s “Rules for Election of Directors.”
	Establishing a Compensation Committee and an Audit Committee in accordance with the law and voluntarily setting up other functional committees	The Company has established a Compensation Committee and an Audit Committee in accordance with the law. All corporate governance functions are executed by the Board, the Audit Committee and the Compensation Committee.
	Board performance evaluation	The Company passed the “Rules and Procedures on Evaluating Board of Directors’ Performance” to enhance efficiency, under which the Compensation Committee evaluates the board’s performance and submit a report on proposed improvements to the board. (All members participated in a self-evaluation on individual performances for 2015 during the board meeting on January 29, 2016.)
	Periodical review of CPA’s independence	The Audit Committee is authorized to evaluate the independence of the CPAs according to the “Bulletin of Norm of Professional Ethics for Certified Public Accountants of the Republic of China” and “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies” on an annual basis based on the following criteria: <ul style="list-style-type: none"> 1. Review of the CPA’s resumes. 2. The CPAs neither serve as a director/supervisor/

Item		Current practice
		<p>manager nor hold a position with major influence in the Company or its subsidiaries. They have no interests that conflict with the Company's.</p> <p>3. The Company has never engaged the services of the same CPA for seven consecutive years.</p> <p>4. The CPAs should provide the Company with a Declaration of Independence on a quarterly basis.</p> <p>5. Quality and efficiency of the audit, taxes and other professional services.</p> <p>6. The CPAs are not involved in any lawsuit or litigation and have never been censured by the authorities.</p> <p>7. Scale and reputation of the CPA firm.</p> <p>8. Interactions with management and internal audit officer.</p> <p>All CPAs engaged by the Company have fulfilled the aforementioned criteria.</p>
	Has the Company established communication channels with stakeholders, including setting up a stakeholders' section on the Company's website?	Sections on investor relations, procurement and CSR have been set up on the Company's official website and integrated into one comprehensive stakeholders' section in 2015.
	Has the Company outsourced its AGM management?	The Company has engaged the Transfer Agency and Registry Department of Fubon Securities Co., Ltd. to manage its annual general meeting.
Information disclosure	Disclosure of information on financial status, operations and corporate governance	Disclosure of financial-related and corporate governance information is posted periodically on the Company's website.
	Other ways of disclosing information	Aside from having a spokesperson, the Company has a dedicated department, the Investor Relations Division, to handle information disclosure. It also has an English website and a team working on gathering and releasing relevant Company information.

Additional information

1. Employee rights

The Company's human resources policies comply with provisions prescribed under the law, such as the Labor Standards Act, in safeguarding employee rights.

2. Employee care

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

3. Investor relations

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

maximize shareholders' interests.

4. Supplier relations

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

5. Stakeholders' rights

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

6. Training programs for directors in 2015

Training program	Organization	Date	Hours	Name
Platform strategy	Corporate Governance Association	2015/11/17	3	James Jeng, Vivien Hsu, Tsung-Ming, Chung, Hsueh-Jen Sung
Interest rate liberalization and Taiwan banking industry's development, trends and prospects	Corporate Governance Association	2015/11/13	3	Richard M. Tsai, Daniel M. Tsai, Vivien Hsu
Green economy and low-carbon innovations: global trends and opportunities in 2015	Corporate Governance Association	2015/10/30	3	Richard M. Tsai, Daniel M. Tsai, James Jeng, Vivien Hsu, Hsueh-Jen Sung, Guu-Chang Yang
Macro view of global enterprises on sustainable development	Corporate Governance Association	2015/10/14	3	Howard Lin
Analysis of closed companies' structure and operations	Association for Research and Development Corporate Organization, Taiwan	2015/9/24	3	Vivien Hsu
Board meeting practices and corporate governance	Taiwan Academy of Banking and Finance	2015/9/22	3	Tsung-Ming Chung
How to increase the effectiveness of the Board	Corporate Governance Association	2015/9/20	3	Jack J.T. Huang
Analysis of the latest trends in commercial law	Association for Research and Development Corporate Organization, Taiwan	2015/9/18	3	Vivien Hsu
Listed companies' directors and supervisors' conference on corporate integrity, managing risks and social responsibility	Securities and Futures Institute	2015/9/7	3	Guu-Chang Yang
Innovations: from life to finance	Corporate Governance Association	2015/9/1	3	Richard M. Tsai, Daniel M. Tsai, Howard Lin, Vivien Hsu
Listed companies' directors and supervisors' conference on corporate integrity, managing risks and social responsibility	Securities and Futures Institute	2015/8/27	3	Vivien Hsu
Seminar on corporate governance, financial supervision and international law	Securities and Futures Institute	2015/6/26	5	Jack J.T. Huang

Evaluation of board responsibilities, capabilities and performance	Corporate Governance Association	2015/5/12	3	Jack J.T. Huang
Corporate governance 2.0: global perspective and Taiwan experience	Taiwan Academy of Banking and Finance	2015/5/5	3.5	Jack J.T. Huang
Corporate social responsibility report: demonstrating the value of corporate sustainability	Securities and Futures Institute	2015/1/22	3	Vivien Hsu

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

7. Corporate governance related training programs for management in 2015

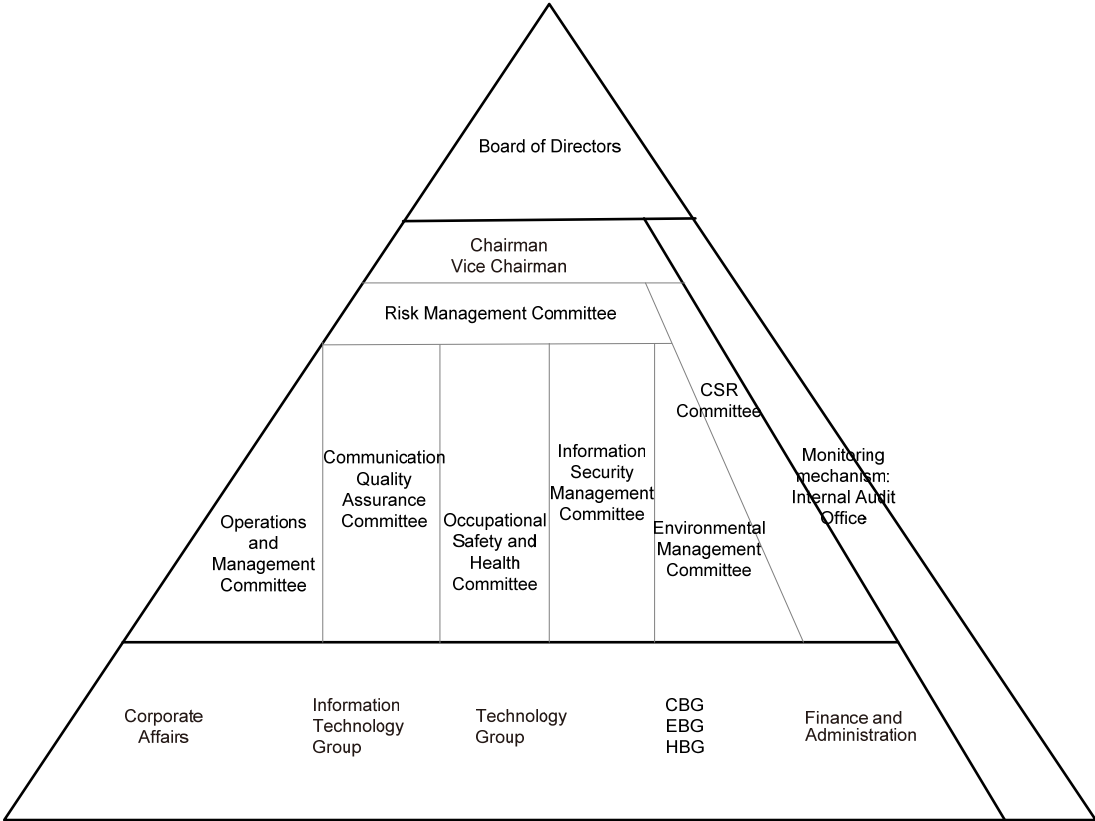
Training program	Organizer	Date	Hours	Participants
Information security (Part I): Preventing information leakage	TWM Internal Audit Office	2015/04/07	1	James Jeng, Rosie Yu, C.H. Jih, Jeff Ku, Ariel Hwang, Jay Hong, Iris Liu, James Chang, Egon Chen, Chien Chen, Tom Koh, Steve Chou, Daphne Lee
Forum on corporate leadership ethics for listed companies	Securities & Futures Institute	2015/05/27	3	Rosie Yu, Iris Liu
New profit model platforms – breaking supply chain barriers	TWM HR Division	2015/06/05	4	Jeff Ku, Iris Liu, James Chang, Chien Chen, Tom Koh
Information security (Part II): preventing information hacking	TWM Internal Audit Office	2015/08/03	1	James Jeng, Rosie Yu, C.H. Jih, Jeff Ku, Ariel Hwang, Jay Hong, Iris Liu, Naomi Lee, James Chang, Egon Chen, Chien Chen, Tom Koh, Steve Chou, Daphne Lee
Code of ethics	TWM HR Division	2015/08/17	0.1	Naomi Lee
Data analysis on industrial competitiveness	TWM HR Division	2015/09/11	4	C.H. Jih, Jeff Ku, James Chang, Egon Chen, Chien Chen, Tom Koh, Steve Chou, Daphne Lee
Prevention of and action against corporate corruption	TWM HR Division	2015/11/03	2	Rosie Yu, C.H. Jih, Egon Chen, Chien Chen, Tom Koh
Information security (Part III): Dissemination of the Personal Information Protection Act	TWM Internal Audit Office	2015/11/25	1	James Jeng, Rosie Yu, C.H. Jih, Jeff Ku, Ariel Hwang, Jay Hong, Iris Liu, Naomi Lee, James Chang, Egon Chen, Chien Chen, Tom Koh, Steve Chou, Daphne Lee
Corporate social responsibility	TWM Public Relations and Brand Management Division	2015/12/16	1.5	James Jeng, Iris Liu, Daphne Lee
Celebrity endorsements: Evaluating legal liability risks and case studies	Accounting Research and Development Foundation	2015/12/21	3	Rosie Yu

8. Risk management

Risk management policies

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

Risk management structure



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

	Responsible unit	Function
Ground	Corporate Affairs, Information Technology Group, Technology Group, Consumer Business Group, Enterprise Business Group, Home Business Group, Finance and Administration	<p>Risk factors are analyzed and assigned to responsible units to monitor and ensure timely and effective detection.</p> <p>Each unit shall ensure, on a daily basis, that risks are kept under acceptable levels. Should there be any changes in condition or other factors, the responsible unit shall report these to the Company for an appropriate course of action.</p>
Middle	Corporate Social Responsibility Committee	Promote corporate social responsibility and implement sustainable management within the Company.
	Risk Management Committee (Note)	<p>Integrate the company's risk management framework and internal control mechanism.</p> <p>Execute risk management strategies and conduct a review of the efficiency of the overall risk management mechanism.</p> <p>Exercise control over the five following committees:</p>
	Operations and Management Committee	Conduct periodic reviews of each business group's operating target and performance to meet the Company's guidance and budget.
	Information Security Management Committee	Control the potential threats of important information assets in order to control and reduce operational risks.
	Occupational Safety and Health Committee	Supervise and minimize potential risks to workers' safety and health.
	Communication Quality Assurance Committee	Ensure and manage network communication quality.
Top	Board of Directors	Responsible for assessing material risks, designating actions to control these risks and keeping track of their execution.
	Internal Audit Office	<p>Regularly monitor and assess potential and varying levels of risks that the Company may face and use this information as a reference for drafting an annual audit plan.</p> <p>Report any discrepancy to the concerned unit chief and ensure that remediation efforts are completed.</p>

Note: The Risk Management Committee exercises control over five units/systems: Operations and Management Committee, Information Security Management Committee, Occupational Safety and Health Committee, Communication Quality Assurance Committee and Environment Management Committee. Should any material event or situation arise, the responsible unit shall report it to the Operations and Management Committee or other committee(s) to undertake any necessary measures.

Risk factors and underlying mechanisms

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

9. Implementation of customer policy

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

10. The Company has purchased liability insurance for its directors on a yearly basis.

11. Employee certifications relating to financial transparency

- (1) Certified Internal Auditor (CIA): seven employees in the Internal Audit Office; one in the Finance Division; and one in the Accounting Division
- (2) Certification in Control Self-Assessment (CCSA): two employees in the Internal Audit Office
- (3) Certification in Risk Management Assurance (CRMA): one in the Internal Audit Office
- (4) Certified Information Systems Auditor (CISA): four in the Internal Audit Office
- (5) First-level examiner of internal controls (Securities and Futures Institute): three employees in the Secretarial

Division

(6) Certified Public Accountant (CPA): two in the Finance Division; three in the Accounting Division; five in the Operation Analysis Division; and one in the Procurement and Logistics Division

12. Any internal evaluation or third party assessment reports on corporate governance. If yes, specify results, major flaws or recommendations for improvements:

The company participated in the "2014 Corporate Governance Evaluation" conducted by Taiwan Stock Exchange and the Taipei Exchange, ranking among the top 5% of listed companies. It received outstanding commendations in five categories: "Protection of Shareholders' Interests," "Equitable Treatment of Shareholders," "Board Composition and Operation," "Information Transparency" and "Protection of Stakeholder Interests and Corporate Social Responsibility."

Compensation Committee operations

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

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

Qualifications and independence criteria of members of the Compensation Committee

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

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

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

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

Compensation Committee attendance

(1) The Compensation Committee consists of four members.

(2) Tenure: June 12, 2014 to June 11, 2017. The Compensation Committee convened three meetings in 2015:

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Jack J.T. Huang	3	0	100%	Appointed committee chairman
Independent Director	Tsung-Ming Chung	3	0	100%	None
Independent Director	Hsueh-Jen Sung	3	0	100%	None
Independent Director	Guu-Chang Yang	3	0	100%	None

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

Corporate social responsibility (CSR)

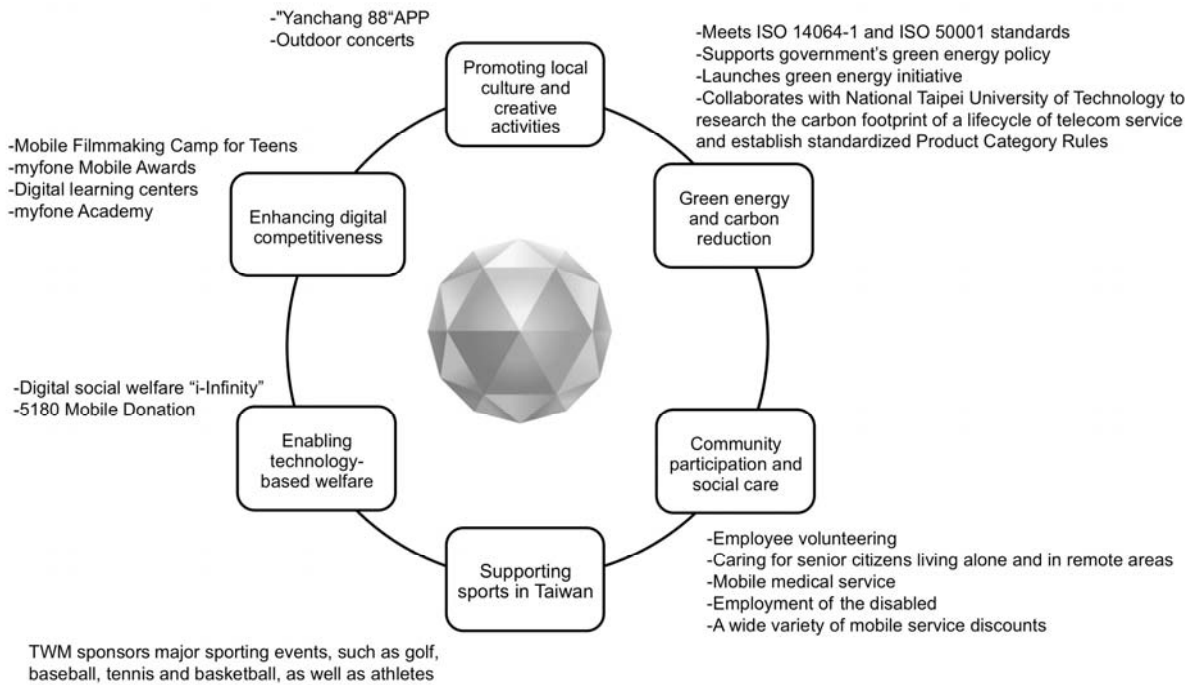
Item	Current Practices												
<p>Corporate governance</p> <p>1. Establishing a CSR policy or system and review mechanism</p> <p>2. CSR course training</p> <p>3. Setting up a unit to carry out this policy or system</p> <p>4. Establishing a reward-and-punishment system as part of the Company's employee performance evaluation system and CSR policy</p>	<p>1. The Company set up the "Corporate Social Responsibility Policy" in 2011 to ensure effective execution of corporate social responsibility, and the "Corporate Social Responsibility Best Practice Principles" in 2015. TWM has also developed a sustainability strategy blueprint that serves as the foundation for the CSR Vision 2020 Project. The Corporate Social Responsibility Committee reviews and tracks the execution of CSR related projects on a quarterly basis. A year-end review showed that all projects' targets were achieved in 2015. To bring more synergy in 2016, the Company will focus on integrating and optimizing resources to maximize efficiency.</p> <p>2. CSR course training is held periodically.</p> <p>3. In 2007, TWM established a Social Responsibility Department under the Public Relations and Brand Management Division to draft and carry out CSR initiatives. With designated personnel and a separate budget, the department provides planning, execution and coordination across different divisions. The Corporate Social Responsibility Committee was established in 2014, with the Company chairman and president serving as committee chairman and vice chairman respectively. The committee reports to the board on a quarterly basis.</p> <p>4. The Company's compensation policy is to reward employees commensurate with their performance. Evaluation meetings are held at the end of the year for supervisors and staff to discuss their performance over the past year and set objectives for the following year, including core functions and corporate social responsibility. Performance is graded based on employees' fulfillment of the annual objectives and accordingly rewarded with bonuses and/or salary increases.</p>												
<p>Environmental sustainability</p> <p>1. Promoting advanced and efficient use of renewable resources to reduce their impact on the environment</p> <p>2. Establishing an environmental management system in line with the nature of the Company's business operations</p> <p>3. Monitoring the impact of climate change on operating activities and adopting measures to reduce greenhouse gas emissions and minimize their impact on the environment</p>	<p>1. The Company has continuously worked to improve the efficient use of resources, including paper, water and electricity, as well as to promote recycling of cables and battery modules.</p> <p>2. TWM established an internal Sustainable Development Committee in 2011 that is responsible for monitoring energy management activities and environment-related indexes, promoting efforts to reduce carbon emissions, and planning, promoting and integrating all of the Company's environmental protection-related activities. The committee is also tasked with incorporating the Company's environmental management rules and sustainable management roadmap into its CSR policies.</p> <p>3. TWM's operating management practices, including communications technology deployment, are designed to reduce energy consumption and greenhouse gas (GHG) emissions. These measures include:</p> <ul style="list-style-type: none"> ● Energy-saving program for data centers ● Base station equipment upgrading ● Energy management program for TWM's office buildings and direct stores ● Telepresence service ● Green value-added services ● e-service and mobile services <p style="text-align: right;">Unit: tCO₂e</p> <table border="1" data-bbox="632 1821 1378 2018"> <thead> <tr> <th></th> <th>2014</th> <th>2015*</th> </tr> </thead> <tbody> <tr> <td>Direct emissions</td> <td>7,118</td> <td>7,263</td> </tr> <tr> <td>Indirect emissions</td> <td>201,454</td> <td>236,960</td> </tr> <tr> <td>Total GHG emissions</td> <td>208,571</td> <td>244,223</td> </tr> </tbody> </table> <p>* The increase in emissions was due to the expansion of TWM's internet data center business and 4G services.</p>		2014	2015*	Direct emissions	7,118	7,263	Indirect emissions	201,454	236,960	Total GHG emissions	208,571	244,223
	2014	2015*											
Direct emissions	7,118	7,263											
Indirect emissions	201,454	236,960											
Total GHG emissions	208,571	244,223											

Item	Current Practices
<p>Commitment to corporate social responsibility</p> <ol style="list-style-type: none"> 1. Complying with domestic and international labor laws to safeguard and uphold the rights of workers, following a non-discriminatory hiring policy and establishing appropriate management practices, procedures and execution 2. Setting up an employee appeals process 3. Providing employees with a safe and healthy working environment, as well as regular training on safety and health education 4. Building a regular communication mechanism and notifying employees about potential operating changes that may have a significant impact on them 5. Developing individual training plans for career development 6. Developing consumer rights protection policies and appeals procedures related to R&D, procurement, production, operations and service processes 	<ol style="list-style-type: none"> 1. Pursuant to related national regulations, including the Labor Standards Act, Employment Services Act and Gender Equality in Employment Act, the Company has never employed child workers, discriminated against any employee or ethnic group, or forced its employees to work. 2. The Company has set up an "Employee Appeals Process" and designated the Internal Audit Office to handle employee petitions and complaints through an exclusive e-mail or fax hotline. The complainant's name and identity are kept confidential and proper action shall be taken subject to verification of the case. 3. The Company aims to provide a safe and healthy working environment for employees and has implemented related measures to promote employee health and mental well-being. It also conducts periodic evaluations of the working environment and programs on promoting workers' safety and health education. Related information on employee safety and health is posted on the Company's intranet. 4. The Company has set up multiple channels to communicate with employees on a regular basis about the Company's operational decisions. <ol style="list-style-type: none"> (1) Dialogue between employees and management: Managerial meetings are held every three months to reinforce the Company's vision and convey recent critical developments to all employees. (2) Labor-management meetings are held quarterly to enhance communication between employees and management for consensus building and to promote cooperation. (3) A forum is held twice a year for newcomers to familiarize them with Company policies and practices and help them adapt to the new environment. (4) A President's Mailbox has been set up for employees to submit recommendations to the Company. (5) Employee opinion surveys: A survey is conducted every two to three years to gauge job satisfaction rates and employees' views about the workplace and management practices. Additional surveys are conducted after company activities such as the year-end party and medical checkup to gather employee opinions. (6) Information disclosure: All information is posted on the Company's intranet, where employees can view the company's press releases, product information and management measures. 5. Based on individual career interests, strengths and weaknesses, supervisors help their staff draw up individual training plans at the annual performance review to give them systematic guidance on enhancing their skills and abilities for career development. 6. With the advent of the 4G era, telecom services have become much more diversified and complex. TWM has met this challenge by providing convenient service channels, as well as professional, efficient, friendly, attentive and customer-oriented services. Its commitment to quality has received international recognition, as evidenced by its Qualicert service quality certification from SGS for four years in a row. To protect personal data security, a committee was established to guide the Company through the formulation of its information security policy and supervise its implementation of the "ISO/IEC 27001 information security management system," which aims to protect every aspect of customer information linkage by adopting a professional management system and promoting personal awareness. Information on customers' rights and how personal information is collected, processed and utilized are available on the Company's website, service contracts, customer hotlines and stores. Customers can also provide

Item	Current Practices
<p>7. Complying with relevant regulations and international standards on marketing and labeling of products and services</p> <p>8. Evaluating prospective suppliers' track record on environmental and social issues</p> <p>9. Right to terminate a contract if supplier violates its social responsibility, causing a significant impact on the environment and society</p>	<p>feedback or file complaints through these channels or a special mobile app.</p> <p>7. TWM's mobile base stations were constructed in accordance with relevant laws and regulations, and passed base station electromagnetic checks by the National Communications Commission (NCC), having fully complied with the International Commission on Non-Ionizing Radiation Protection (ICNIRP) standards.</p> <p>8. Before entering into a contract with a supplier, TWM requires that the supplier comply with rules and regulations on protecting workers and the environment to avoid any incidents deemed harmful to society or the environment.</p> <p>9. TWM believes that ethics serves as the moral foundation of a well-managed enterprise. To promote a fair and just system, the Company set up an open procurement system to select suppliers and required that all suppliers comply with the "Environmental and Occupational Health and Safety Policy for Contractors" and "Guidelines on Corporate Social Responsibility for Suppliers." Should a supplier break its social responsibility and adversely impact the environment and society, the Company has the right to suspend its account. Furthermore, TWM provides first bargaining rights to green-product and conflict-free product suppliers to encourage others to likewise produce environmentally friendly products.</p> <p>(1) TWM does not use any product from conflict material/product suppliers.</p> <p>(2) TWM requests its suppliers investigate their supply chains to ensure that no products are from conflict areas.</p>
<p>Information disclosure</p> <p>Disclosing relevant and reliable information on corporate social responsibility</p>	<p>CSR-related information is updated on the websites of the Company and the Taiwan Mobile Foundation in a timely manner. All information and data contained in the CSR reports are compiled internally and verified by an external party to ensure their reliability and accuracy. All information (subject and content) is deemed to be materially important and designed to meet stakeholders' expectations.</p>
<p>The Company's CSR policy and practices fully comply with the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies."</p> <p>The concept of corporate social responsibility is embedded in the strategic decisions and daily operations of all departments. TWM's Board of Directors passed the "Taiwan Mobile CSR Policy" in January 2011 to serve as a long-term guideline for promoting corporate social responsibility and the "Taiwan Mobile CSR Guidelines" in January 2015 to ensure effective execution of the Company's commitment to the society.</p> <p>With its underlying corporate philosophy and core values serving as the foundation, the Company emphasizes corporate governance, stakeholders' interests and full disclosure, and leverages off the Company's core competencies and services to promote environmental conservation and public welfare.</p>	

Additional information on CSR-related matters:

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



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

Since 2009, TWM's CSR reports have been verified by an independent third-party organization, the British Standards Institute, in accordance with its AA1000 assurance standards and GRI guidelines. In 2014, Taiwan Mobile was proud to be the first Taiwanese telecom company to pass the International Standard on Assurance Engagements (ISAE) 3000, demonstrating the Company's commitment to management integrity. In 2015, Taiwan Mobile published its 2014 CSR report based on the limited assurance engagement conducted by KPMG in accordance with ISAE3000, with the information disclosed complying with the latest GRI G4 framework in accordance with the comprehensive option.

Ethical corporate management

Item	Current Practice
<p>1. Establishing a policy on ethical corporate management:</p> <p>(1) Specifying the Company's policy on ethical corporate management in its official charter and material documents, including the board and management's commitment to its implementation</p> <p>(2) Setting up a system, including operation, guidelines, punishment of violations and reporting system, to prevent dishonest behavior</p> <p>(3) Adopting measures to prevent high-risk unethical conduct as specified in Article 7 Paragraph 2 of "Ethical Corporate Management for TWSE/GTSM-listed Companies"</p>	<p>(1) The Company has promulgated its Ethical Corporate Management Best Practice Principles and reinforces them on an annual basis to ensure that employees, management and the board comply with the principles. Moreover, the principles have been incorporated into the Company's internal control system.</p> <p>(2) The Company's Ethical Corporate Management Best Practice Principles details preventive measures against the following:</p> <ul style="list-style-type: none"> a. offering and accepting bribes b. illegal political donations c. improper charitable donations or sponsorship d. offering or accepting unreasonable gifts or hospitality, or other inappropriate benefits <p>The aforementioned principles and related regulations have been announced and disseminated to board directors, managers, employees and appointees to enhance integrity and self-discipline.</p> <p>Employees and suppliers are required to sign a "Declaration of Integrity" or "Declaration of Integrity in Business Conduct" to ensure that they fully understand the Company's determination to enforce ethical management and the consequences of behaving in a dishonest manner.</p> <p>(3) The Company has set up an accounting system and internal control system for business activities that are at a higher risk of dishonest behavior. The aforementioned systems are reviewed periodically to ensure that they are working and measures are implemented.</p> <p>The Company avoids contact with dubious traders. Its business contracts specify that suppliers or vendors must observe ethical corporate management, and failing that, the Company reserves the right to terminate or cancel the contract.</p>
<p>2. Implementation of ethical corporate management</p> <p>(1) Avoiding transactions with parties that have a record of dishonest behavior, stipulating in all contracts what constitute unacceptable behavior</p> <p>(2) Establishing a full-time or part-time unit to promote the Ethical Corporate Management Best Practice Principles under the supervision of the board of directors</p> <p>(3) Setting up policies to prevent conflict of interest and providing channels to report such conflict</p>	<p>(1) The Company provides "Guidelines on Social Responsibility for Suppliers" and requires all suppliers to sign a "Declaration of Ethical Corporate Management," which states that suppliers must not engage in bribery; otherwise, the Company has the right to suspend their account and terminate or rescind the contract at any time.</p> <p>(2) Audit Committee, Compensation Committee and Internal Audit Office were established under the Board of Directors, which also authorized the establishment of the Risk Management Committee and Corporate Social Responsibility Committee. The oversight responsibilities for integrity management are fulfilled according to each committee's authorities and the operational results of all departments concerned are reported to the Board of Directors on a regular basis to ensure the implementation of the highest guiding principle for integrity management.</p> <p>(3) The Company has promulgated policies to prevent conflict of interest. Should there be a conflict of interest, directors should recuse themselves from discussing or voting on the issue. Any board director, manager, employee and appointee must not use his or her position or influence in the Company to obtain improper benefits.</p> <p>Any breach of ethical corporate management practices can be reported via email or fax hotline to the Company.</p>

Item	Current Practice
<p>(4) Building an effective accounting system and internal control system to carry out ethical corporate management, with internal/external auditors auditing the process</p> <p>(5) Conducting regular internal and external training courses on ethical corporate management</p>	<p>(4) The Company has established an effective accounting system and internal control system. In addition, internal auditors schedule regular audits according to the level of risks and report the findings to the board on a periodic basis.</p> <p>The Company periodically delegates independent accountants to audit its financial statements and to verify the effectiveness of the internal control system.</p> <p>(5) The Company promotes the importance of Ethical Corporate Management Best Practice Principles to directors, managers, employees and appointees on an annual basis to help them fully understand the need to comply with ethical corporate management practices.</p>
<p>3. Reporting ethical violations</p> <p>(1) Establishing a reporting and incentive system to facilitate the processing of complaints and assigning a person or unit to deal with the cases</p> <p>(2) Setting up investigation and confidentiality procedures</p> <p>(3) Protecting whistleblower from harm</p>	<p>(1) The Company has established procedures for dealing with complaints about employees or suppliers, with the Internal Audit Office tasked with dealing with the cases.</p> <p>a) Suppliers' complaints can be filed with the Internal Audit Office in written form or via fax to (02) 66361600.</p> <p>b) Employees' complaints can be sent to a designated internal email account.</p> <p>(2) The Internal Audit Office must immediately launch an investigation upon receipt of the complaint and ensure that the name and identity of the complainant are kept confidential.</p> <p>(3) The Internal Audit Office must be objective and fair in its investigation. It must report the results of its investigation directly to a higher supervisor and ensure the whistleblower be kept unharmed.</p>
<p>4. Strengthening information disclosure</p> <p>Disclosing related information on ethical corporate management on the Company's website</p>	<p>The Company has posted its Ethical Corporate Management Best Practice Principles on its official website and MOPS. Its annual report and corporate social responsibility report further shed light on its execution and enhance corporate transparency.</p>
<p>5. Has the company promulgated its own ethical corporate management principles in accordance with the "Ethical Corporate Management for TWSE/GTSM-listed Companies"? If yes, describe the differences between the principles and current practices: No difference.</p>	
<p>6. Other important information to facilitate understanding of the Company's implementation of ethical corporate management practices:</p> <p>(1) The Company's electronic procurement system mandatorily requires suppliers to sign a "Declaration of Integrity in Business Conduct" every year; otherwise, they are not allowed to participate in the bidding process.</p> <p>(2) The Company regularly monitors developments in domestic and international ethical corporate management standards and reviews its performance to ensure compliance.</p>	

Corporate governance rules and procedures

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

Additional information on corporate governance operations:

Corporate governance principles

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

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

Internal control system

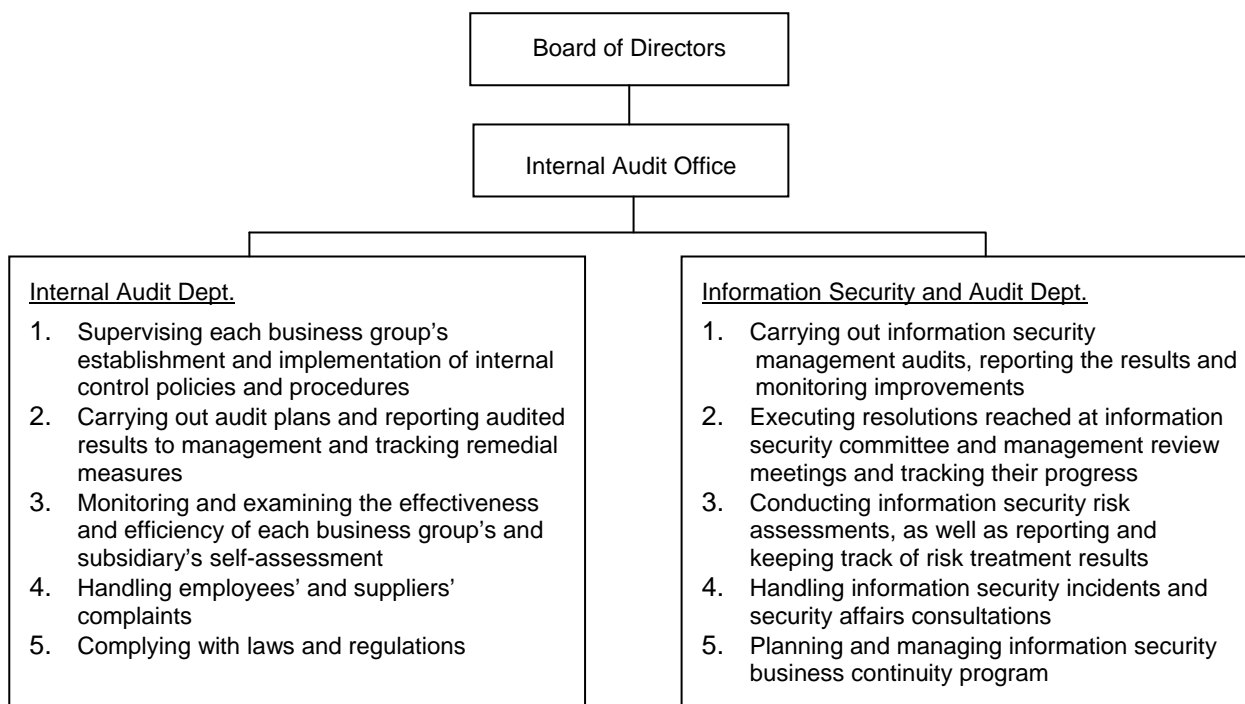
1. Internal control mechanism

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

Regular internal audits are executed according to an annual audit plan. Special audit projects are implemented as needed. These audits enhance internal control and provide timely recommendations for future improvements. In accordance with corporate governance, audit reports are submitted on a regular basis and reviewed by the Chairman, as well as presented to the Audit Committee and the Board of Directors by the Chief Internal Auditor.

The Internal Audit Office also examines the mechanisms and results of self-evaluations by departments and subsidiaries to ensure strict implementation. In addition, it generates and consolidates related inspection reports for the President and the Board of Directors to evaluate the overall efficiency of existing internal control systems before generating an internal control system statement.

There are 14 dedicated internal audit staff members, including one supervisor in charge of the Internal Audit Office, whose responsibilities are detailed below:



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

No.

3. Internal control statement

Taiwan Mobile Co., Ltd.
Internal Control Statement

Date: January 29, 2016

Taiwan Mobile (TWM) states the following with regard to its internal control system for the year 2015:

1. TWM is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. TWM has established such a system to provide reasonable assurance in achieving objectives related to the effectiveness and efficiency of operations (including profits, performance and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. An effective internal control system, no matter how perfectly designed, can provide only a reasonable assurance in the accomplishment of the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in the environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms and the Company takes corrective actions as soon as a deficiency is identified.
3. TWM evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems" by public companies promulgated by the Securities and Futures Bureau, the Financial Supervisory Commission and the Executive Yuan (herein referred to as the "Regulations"). The internal control system evaluation criteria stated in the Regulations classify internal control into five key elements based on the process of management control: 1. Control environment, 2. Risk assessment and response, 3. Control activities, 4. Information and communications, and 5. Monitoring. Please refer to the Regulations for details on these five key elements.
4. TWM has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the third paragraph, TWM believes that as of Dec. 31, 2015, its internal control system (including its supervision of subsidiaries), which encompasses internal controls to achieve effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations, was effectively designed and operating, and is reasonably assured of achieving the above-stated objectives.
6. This statement will form a major part of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been passed by the TWM Board of Directors' Meeting on January 29, 2016, where all of the nine attending directors did not express any dissenting opinion and affirmed the content of the same.

Taiwan Mobile Co., Ltd.



Richard M. Tsai
Chairman



James Jeng
President

Violation of regulations and internal policies: None

Major resolutions at the shareholders' meeting and board meetings

1. Major resolutions at the 2015 shareholders' meeting

Issues approved and subsequent execution:

(1) 2014 business report and financial statements

(2) Distribution of 2014 earnings

Execution: Set record date of ex-dividend for July 4, 2015, cash payment on July 17, 2015.

(3) Revisions to the Rules and Procedures for the Acquisition or Disposal of Assets

Execution: The revised rules were posted on the Company's official website and MOPS, and implemented accordingly.

(4) Termination of contract with Taiwan Digital Service Co., Ltd. on managing TWM's direct store operations

Execution: Contract terminated on July 1, 2015.

2. Major resolutions by the board (from 2015 up to publication date in 2016)

1. 5th meeting of the seventh BOD on January 29, 2015

(1) Approved the 2014 business report and financial statements

(2) Approved the 2015 consolidated financial forecasts and the donation to TWM Foundation

(3) Approved the 2015 capital expenditure plan

(4) Approved the schedule for the 2015 general shareholders' meeting

2. 6th meeting of the seventh BOD on April 30, 2015

(1) Approved the 2014 earnings distribution proposal

(2) Approved the change in CPA

(3) Approved the termination of Taiwan Digital Service Co., Ltd's contract on managing TWM's direct store operations

(4) Approved the cancellation of the issuance of TWM's 1st Euro-Convertible Bond (ECB)

(5) Approved the change of venue for the 2015 general shareholders' meeting

3. 7th meeting of the seventh BOD on July 30, 2015

(1) Approved the Company's participation in the 2500MHz and 2600MHz spectrum auction

4. 8th meeting of the seventh BOD on October 29, 2015

(1) Approved the new vice presidents' exemption from non-competition restrictions

5. 9th meeting of the seventh BOD on January 29, 2016

(1) Approved the 2015 business report and financial statements

(2) Approved the 2016 consolidated financial forecasts and donation to TWM Foundation

(3) Approved the 2016 capital expenditure plan

(4) Approved the procurement of mobile broadband equipment from Nokia Siemens Networks Taiwan Co., Ltd.

(5) Approved the schedule for the 2016 general shareholders' meeting

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

Major dissenting comments among directors over board meeting resolutions from 2015 up to publication date in 2016: None

Resigned/discharged chairman, president, chief accounting officer, chief financial officer, chief internal audit officer and chief research officer: None

Certified Public Accountant (CPA) Information

1. CPA service fees

Unit: NT\$'000

Accounting firm	Name of CPA	Audit fee	Non-audit fee			Period covered by CPA's audit	Remarks
			Company registration	Others	Total		
KPMG	Simon Chen Leo Chi	1,260	-	-	-	2015.01.01~2015.03.31	
Deloitte & Touche	Kuo Li-Wen Lai Kwan-Chung	6,345	-	1,400	1,400	2015.04.01~2015.12.31	Fees for other non-audit services were mainly for tax-related consultation services.

Note: The Company changed the CPA firm starting 2Q15 to meet the company's operational requirements.

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

2. Other information

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

3. Information on CPA changes:

- (1) Former CPA

Date of change	April 30, 2015		
Reason for change	To meet the company's operational requirements		
Specify whether services/engagement were terminated/refused	Party	CPA	Company
	Conditions		
	Termination		V
	Refusal of new mandate		
Has any audit opinion, other than an unqualified opinion, been issued in the past two years? If yes, cite reasons.	A modified unqualified opinion was issued in 2013 to add a paragraph explaining a change in the accounting policy regarding bundle sales from residual method to relative fair value method.		
Disagreement with securities issuer	Yes		Accounting principles and practices
			Disclosure of financial statements
			Audit scope or procedures
			Others
	No	V	
	Explanation: None		
Other disclosure items	None		

(2) Current CPA

Name of company	Deloitte & Touche
Name of CPA	Kuo Li-Wen, Lai Kwan-Chung
Date of engagement	April 30, 2015
Results of consultations with the CPA on accounting measures and principles that might influence his/her opinion prior to his/her engagement	None
Has the incumbent CPA issued any dissenting opinion on opinions issued by the previous CPA?	None

(3) The former CPA's response to the issues referred to in Article 10.6.1 and Item 3 of Article 10.6.2 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable.

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

Direct and indirect investments in affiliated companies

As of December 31, 2015

Unit: shares, %

Long-term investments under equity method	Investment by TWM		Direct and indirect investment by TWM's directors and management		Total investment	
	Shares	Holding (%)	Shares	Holding (%)	Shares	Holding (%)
Taiwan Cellular Co., Ltd.	502,970,309	100.00%	–	–	502,970,309	100.00%
Wealth Media Technology Co., Ltd.	42,065,000	100.00%	–	–	42,065,000	100.00%
Taipei New Horizon Co., Ltd.	191,865,500	49.90%	–	–	191,865,500	49.90%
Alliance Digital Technology Co., Ltd.	3,000,000	13.33%	–	–	3,000,000	13.33%

Changes in shareholdings of directors, managers and major shareholders

1. Minor changes in shareholder structure

Unit: shares

Title	Name	2015		2016 (as of March 30)	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding ¹	Net change in shares pledged
Chairman	Fu-Chi Venture Corp. Representative: Richard M. Tsai				
Vice Chairman	Fu-Chi Venture Corp. Representative: Daniel M. Tsai	0	0	0	0
Director	Fu-Chi Venture Corp. Representative: Vivien Hsu				
Director	TCC Investment Co., Ltd. Representative: James Jeng	0	0	0	0
Director	TCC Investment Co., Ltd. Representative: Howard Lin				
Independent Director	Jack J.T. Huang	0	0	0	0
Independent Director	Tsung-Ming Chung	0	0	0	0
Independent Director	Hsueh-Jen Sung	0	0	0	0
Independent Director	Guu-Chang Yan	0	0	0	0

Title	Name	2015		2016 (as of March 30)	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding ¹	Net change in shares pledged
Major Shareholder (shareholding of more than 10%)	TFN Union Investment Co., Ltd.	0	0	0	0
President	James Jeng	0	0	0	0
EVP and Chief Financial Officer	Rosie Yu	0	0	0	0
SVP and Chief Technology Officer	C.H. Jih	0	0	0	0
SVP and Acting Chief Business Officer	Jeff Ku	0	0	0	0
Vice President	Jay Hong	0	0	0	0
Vice President	Ariel Hwang	0	0	0	0
Vice President	Iris Liu	0	0	0	0
Vice President	Naomi Lee (took office on August 3, 2015)	0	0	0	0
Vice President	James Chang	0	0	0	0
Vice President	Egon Chen	(10,000)	0	(10,000)	0
Vice President	Chien Chen	0	0	0	0
Vice President	Tom Koh	0	0	0	0
Vice President	Steve Chou	0	0	0	0
Vice President	Daphne Lee	(8,000)	0	0	0
Chief Accounting Officer	Darren Shih	0	0	0	0
Vice President	Joseph Yang (resigned on December 31, 2015)	0	0	NA	NA
Vice President	Sean Hsieh (resigned on January 15, 2016)	(10,000)	0	0	0
Vice President	Paul Huang (resigned on January 15, 2016)	0	0	0	0

2. Shareholding transferred with related party: None

3. Stock pledged with related party: None

Relationship between TWM's top 10 shareholders

As of July 4, 2015

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's shareholders who are defined as related parties, spouse or a relative within two degrees	
	Shares	%	Shares	%	Name (B)	Relationship
TFN Union Investment Co., Ltd.	410,665,284	12.00%	-	-	TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Daniel Tsai Richard Tsai TCCI Investment and Development Co., Ltd.	A and B have the same chairman A and B have the same chairman Related parties A and B have the same chairman B is a director at A B is A's chairman A and B have the same chairman
Chairman: Richard Tsai	-	-	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Daniel Tsai TCCI Investment and Development Co., Ltd.	A is B's chairman A is B's chairman A is B's chairman A is a director at B A is B's chairman B is A's relative within two degrees A is B's chairman
TCC Investment Co., Ltd.	200,496,761	5.86%	-	-	TFN Union Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Daniel Tsai Richard Tsai TCCI Investment and Development Co., Ltd.	A and B have the same chairman A and B have the same chairman Related parties A and B have the same chairman B is a director at A B is A's chairman A and B have the same chairman
Chairman: Richard Tsai	-	-	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Daniel Tsai TCCI Investment and Development Co., Ltd.	A is B's chairman A is B's chairman A is B's chairman A is a director at B A is B's chairman B is A's relative within two degrees A is B's chairman
Ming Dong Co., Ltd.	184,736,452	5.40%	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd.	A and B have the same chairman A and B have the same chairman Related parties A and B have the same chairman

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's shareholders who are defined as related parties, spouse or a relative within two degrees	
	Shares	%	Shares	%	Name (B)	Relationship
					Daniel Tsai Richard Tsai TCCI Investment and Development Co., Ltd.	B is a director at A B is A's chairman A and B have the same chairman
Chairman: Richard Tsai	-	-	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Daniel Tsai TCCI Investment and Development Co., Ltd.	A is B's chairman A is B's chairman A is B's chairman A is a director at B A is B's chairman B is A's relative within two degrees A is B's chairman
Fubon Life Insurance Co., Ltd.	124,997,400	3.65%	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Dao Ying Co., Ltd. Daniel Tsai Richard Tsai TCCI Investment and Development Co., Ltd.	Related parties Related parties Related parties Related parties Related parties B is a director at A Related parties
Chairman: Oliver Cheng	-	-	-	-	None	None
Dao Ying Co., Ltd.	113,609,742	3.32%	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Daniel Tsai Richard Tsai TCCI Investment and Development Co., Ltd.	A and B have the same chairman A and B have the same chairman A and B have the same chairman Related parties B is a director at A B is a A's chairman A and B have the same chairman
Chairman: Richard Tsai	-	-	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Daniel Tsai TCCI Investment and Development Co., Ltd.	A is B's chairman A is B's chairman A is B's chairman A is a director at B A is B's chairman B is A's relative within two degrees A is B's chairman
Shin Kong Life Insurance Co., Ltd.	94,847,000	2.77%	-	-	None	None

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's shareholders who are defined as related parties, spouse or a relative within two degrees	
	Shares	%	Shares	%	Name (B)	Relationship
Chairman: Tung-Chin Wu	-	-	-	-	None	None
Nan Shan Life Insurance Co., Ltd.	92,829,500	2.71%	-	-	None	None
Chairman: Ying Tsung Tu	-	-	-	-	None	None
Daniel Tsai	92,109,990	2.69%	4,580,070	0.13%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard Tsai TCCI Investment and Development Co., Ltd.	A is a director at B A is a director at B A is a director at B Related parties A is a director at B B is A's relative within two degrees A is a director at B
Richard Tsai	90,257,938	2.64%	5,986,496	0.18%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Daniel Tsai TCCI Investment and Development Co., Ltd.	A is B's chairman A is B's chairman A is B's chairman A is a director at B A is B's chairman B is A's relative within two degrees A is B's chairman
TCCI Investment and Development Co., Ltd.	87,589,556	2.56%	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Daniel Tsai Richard Tsai	A and B have the same chairman A and B have the same chairman A and B have the same chairman Related parties A and B have the same chairman B is a director at A B is A's chairman
Chairman: Richard Tsai	-	-	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Daniel Tsai TCCI Investment and Development Co., Ltd.	A is B's chairman A is B's chairman A is B's chairman A is a director at B A is B's chairman B is A's relative within two degrees A is B's chairman

Chapter 3 Financial Information

Capital and shares

Source of capital

As of March 30, 2016

Unit: shares / NT\$

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

As of March 30, 2016

Unit: shares

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

Information related to shelf registration: None

Shareholder structure

As of July 4, 2015

	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions & individuals	Total
No. of shareholders	7	16	302	38,273	902	39,500
Total shares owned	157,231,046	367,713,873	1,350,317,515	357,320,483	1,188,249,910	3,420,832,827
Holding percentage (%)	4.60	10.75	39.47	10.44	34.74	100.00%

Shareholding distribution

As of July 4, 2015

1. Common shares

Shareholding range	No. of shareholders	Total shares owned	Holding percentage
1 ~ 999	15,880	5,566,339	0.16%
1,000 ~ 5,000	18,011	36,723,176	1.07%
5,001 ~ 10,000	2,676	20,063,749	0.59%
10,001 ~ 15,000	781	9,664,977	0.28%
15,001 ~ 20,000	450	8,066,644	0.24%
20,001 ~ 30,000	409	10,205,524	0.30%
30,001 ~ 50,000	305	11,945,728	0.35%
50,001 ~ 100,000	261	18,762,816	0.55%
100,001 ~ 200,000	175	24,955,446	0.73%
200,001 ~ 400,000	147	43,578,369	1.27%
400,001 ~ 600,000	70	34,262,519	1.00%
600,001 ~ 800,000	54	37,359,310	1.09%
800,001 ~ 1,000,000	26	23,665,190	0.69%
1,000,001 and above	255	3,136,013,040	91.68%
Total	39,500	3,420,832,827	100.00%

2. Preferred shares: None

Major shareholders

As of July 4, 2015

Name	Total shares owned	Holding percentage
TFN Union Investment Co., Ltd.	410,665,284	12.00%
TCC Investment Co., Ltd.	200,496,761	5.86%
Ming Dong Co., Ltd.	184,736,452	5.40%
Fubon Life Insurance Co., Ltd.	124,997,400	3.65%
Dao Ying Co., Ltd.	113,609,742	3.32%
Shin Kong Life Insurance Co., Ltd.	94,847,000	2.77%
Nan Shan Life Insurance Co., Ltd.	92,829,500	2.71%
Daniel M. Tsai	92,109,990	2.69%
Richard M. Tsai	90,257,938	2.64%
TCCI Investment & Development Co., Ltd.	87,589,556	2.56%

Major shareholders of TWM's institutional investors

Institutional investors	Major shareholders
TFN Union Investment Co., Ltd.	Taiwan Fixed Network Co., Ltd. (100%)
TCC Investment Co., Ltd.	Taiwan Cellular Co., Ltd. (100%)
Ming Dong Co., Ltd.	Fubon Land Development Co., Ltd. (16.36%), Fubon Construction Co., Ltd. (13.89%), Fu-Chi Investment Co., Ltd. (12.63%), Ru Chi Investment Co., Ltd. (12.63%), Dao Chi Investment Co., Ltd. (12.63%), Chung Shing Development Co., Ltd. (11.76%), Dao Ying Co., Ltd. (9.60%), Fubon Charity Foundation (3.43%), Fubon Cultural and Educational Foundation (2.53%), Daniel M. Tsai (1.31%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)
Dao Ying Co., Ltd.	Fubon Land Development Co., Ltd. (17.68%), Fubon Construction Co., Ltd. (17.68%), Fu-Chi Investment Co., Ltd. (13.13%), Ru Chi Investment Co., Ltd. (13.13%), Dao Chi Investment Co., Ltd. (13.13%), Ming Dong Co., Ltd. (9.60%), Chung Shing Development Co., Ltd. (8.84%), Fubon Charity Foundation (1.01%), Wan-Tsai Tsai (1.01%), Shiang-Shun Yang Tsai (1.01%)
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holding Co., Ltd. (100%)
Nan Shan Life Insurance Co., Ltd.	Dedicated investment account managed by First Bank on behalf of Ruen Chen Investment Holding Co., Ltd. (76.46%), Ruen Chen Investment Holding Co., Ltd. (14.16%), Ying Tsung Tu (3.25%), Ruen Hua Dyeing & Weaving Co., Ltd. (0.28%), Ruentex Leasing Co., Ltd. (0.15%), Chi Pin Investment Co., Ltd. (0.11%), Wen Te Kuo (0.11%), Dedicated stock trust property account managed by Taishin International Bank on behalf of Nan Shan Life Insurance (0.06%), Pao Chih Investment Co., Ltd. (0.05%), Pao Yi Investment Co., Ltd. (0.05%), Pao Hui Investment Co., Ltd. (0.05%), Pao Huang Investment Co., Ltd. (0.05%)
TCCI Investment & Development Co., Ltd.	TCC Investment Co., Ltd. (100%)

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

Unit: NT\$, '000 shares

		2014	2015	As of March 30, 2016	
Share price (NT\$)	High	104.50	113.00	105.50	
	Low	85.00	95.00	96.40	
	Average	94.78	103.88	101.05	
Net worth per share (NT\$)	Before earnings appropriation	22.13 (Note 1)	21.88	—	
	After earnings appropriation	16.53 (Note 1)	(Note 1)	—	
Earnings per share (NT\$)	Adjusted weighted average outstanding shares	2,697,728	2,722,081	2,722,081	
	Earnings per share	5.56	5.76	—	
Dividends per share (NT\$)	Cash dividends	5.6	(Note 1)	—	
	Stock dividends	Retained earnings	—	(Note 1)	—
		Capital surplus	—	(Note 1)	—
	Accumulated unpaid dividends	—	—	—	
PE and dividend yield (Note 2)	Price earnings ratio (x)	17.05	18.03	—	
	Price to cash dividend (x)	16.93	—	—	
	Cash dividend yield (%)	5.91	—	—	

Note 1: The appropriation amount indicated above is based on resolutions approved at the annual shareholders' meetings in the subsequent year. The 2014 numbers were retroactively adjusted based on IFRS (International Financial Reporting Standards). The appropriation amount for 2015 has yet to be approved at the AGM.

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

Dividend policy

1. Dividend policy under Articles of Incorporation

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

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

The BOD has not yet approved the proposal for dividend allocation of the 2015 earnings as of the publication date. The board expects to approve the proposal 40 days prior to the AGM, and any resolution will be announced on the Company's website and MOPS.

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

Impact of stock dividend distribution on business performance and EPS

The BOD has not yet approved the proposal for dividend allocation of the 2015 earnings as of publication date.

Employee bonuses and compensation to directors

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

In accordance with the Company's Articles of Incorporation (which will be amended in the 2016 general shareholders' meeting), employee profit sharing and directors' compensation shall come from a pool of 1% to 3% and 0.3%, respectively, of the Company's annual net income after deducting losses from previous years. Recipients are to include qualified employees of the subsidiaries.

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

Should there be a significant deviation between the actual distribution amount approved by the BOD and the accrued amount in annual financial reports before its publication date, said accrued amount should be revised accordingly. However, should the deviation occur after the financial reports' publication date, the difference should be treated as changes in accounting estimates and adjusted in the following year.

3. The 2015 proposal on employee bonuses and compensation to directors adopted by the board of directors

- (1) Employee bonuses and compensation to directors paid in the form of cash or shares and differences/reasons/treatments of accrued numbers if any:

The 2015 employee bonuses and compensation to directors approved by the Board of Directors on January 29, 2016 totaled NT\$454,756,761 and NT\$45,475,676, respectively, while the accrued amount in the financial reports were NT\$466,322 thousand and NT\$46,632 thousand, respectively. The differences between the actual distribution and the accrued amounts shall be treated as changes in accounting estimates and adjusted in 2016.

- (2) Employee bonuses paid in the form of shares and as a percentage of total net income on a stand-alone basis and of total employee bonuses: None.

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

An employee cash bonus of NT\$396,056,971 and compensation to directors of NT\$33,845,697 from the 2014 earnings, which were approved at the 2015 board of directors' and shareholders' meetings, were duly paid in 2015.

Share buyback: None.

Corporate bond issuance

Corporate bonds

Issuance	Third unsecured corporate bonds	Fourth unsecured corporate bonds
Issue date	December 20, 2012	April 25, 2013
Denomination	NT\$10,000,000	NT\$10,000,000
Issuance and listing	Not applicable	Not applicable
Issue price	100%	100%
Total amount	NT\$9,000,000,000	NT\$5,800,000,000
Coupon	1.34% p.a.	1.29% p.a.
Term	7 years, maturing on Dec. 20, 2019	5 years, maturing on Apr. 25, 2018
Guarantor	None	None
Trustee	Hua Nan Bank, Trust Division	Hua Nan Bank, Trust Division
Underwriter	None	None
Legal counsel	Bang Shang Lin, Attorney	Bang Shang Lin , Attorney
Auditor	Simon Chen, CPA KPMG	Simon Chen, CPA KPMG
Repayment	Repayment of 50% of the principal in the 6th year and the remaining 50% in the 7th year	Repayment of 50% of the principal in the 4th year and the remaining 50% in the 5th year
Outstanding balance	NT\$9,000,000,000	NT\$5,800,000,000
Early repayment clause	None	None
Covenants	None	None
Credit rating agency, rating date, company credit rating	TRC, 2012.11.12, twAA TRC, 2013.06.04, twAA TRC, 2014.05.13, twAA TRC, 2015.06.02, twAA	TRC, 2013.01.30, twAA TRC, 2013.06.04, twAA TRC, 2014.05.13, twAA TRC, 2015.06.02, twAA
Ancillary rights	Amount converted/ exchanged into common shares, ADRs or other securities	Not applicable
	Rules governing issuance or conversion (exchanged or subscription)	Not applicable
Dilution and other effects on shareholders' equity	Not applicable	Not applicable
Custodian	Not applicable	Not applicable

Convertible bond information: None

Exchangeable bond: None

Shelf registration issuance: None

Bond with warrant: None

Preferred shares: None

Depositary receipt issuance: None

Employee stock options and new restricted employee shares: None

Shares issued for mergers and acquisitions: None

Use of proceeds from rights issue: None

Chapter 4 Operational Highlights

Macro Environment

Consumer spending on communication and broadcasting related services is largely influenced by macroeconomic factors. According to the Directorate-General of Budget, Accounting and Statistics (DGBAS), despite a persistent softness in external demand due to a sluggish global economy, private consumption grew a stable 2.28% in 2015, supported by the government's launch of short-term economic stimulus measures in 4Q15. For 2016, with volatile financial markets and non-economic risks likely affecting the global economy, domestic private consumption growth is expected to decelerate to 1.36%.

Overall Operating Results

The Company's consolidated revenue expanded 3% YoY in 2015 as result of the following: telecom service revenue rose due to increasing 4G adoption; cable broadband and digital TV revenues climbed 5% and 19%, respectively; and online shopping subsidiary momo's revenue surged 15%. Its EBITDA likewise grew 3% from a year ago, as the Company benefitted from 4G's expanding economies of scale, an improving operating leverage and steady profit increase from its cable TV business. Despite rising depreciation and amortization expenses because of intensive 4G network roll-out and more LTE spectrum deployment to provide the best mobile internet services for consumers, TWM's net income still increased 5% YoY in 2015 due to lower non-operating expenses and an additional one-off gain. TWM's EPS of NT\$5.76 was, once again, the highest among its peers.

Performance by division

	Consumer Business Group	Enterprise Business Group	Home Business Group	Retail Business
Brand name	Taiwan Mobile	TWM Business Solution	TWM Broadband	momo
Services	<ul style="list-style-type: none"> ● Voice and data mobile services for consumers ● Mobile to international direct dialing (IDD) services 	<ul style="list-style-type: none"> ● Voice and data mobile services for enterprises ● Fixed-line services ● International simple resale (ISR) services ● IDC and cloud (IaaS) 	<ul style="list-style-type: none"> ● Pay TV services ● Cable broadband services ● Others 	<ul style="list-style-type: none"> ● Online shopping ● TV home shopping ● Mail order

	Telecom business		Cable business	Retail business
	Mobile business	Fixed-line business		
Market position	Second-largest mobile operator in a five-player market, with a market share of around 29% in terms of mobile service revenue	A market share of around 1.3% for ADSL/FTTx business. One of the top three internet service providers (ISP), with a market share of 4.5% (including 199K cable broadband subscribers from its cable business)	Fourth-largest multisystem operator (MSO), covering about 11% of households in Taiwan	Ranked among the top three in both online shopping and TV home shopping businesses
Subscriber base	● 7,453K mobile subscribers	● Around 60K ADSL/FTTx internet access users	● 589K CATV subscribers ● 199K cable broadband subscribers	Not applicable
2015 revenue*	83,781		6,555	25,640
As a % of group revenue	72%		6%	22%
2015 EBITDA*	27,229		3,564	1,191
As a % of group EBITDA	84%		11%	4%

* Source: 2015 financial reports. The difference between the sum of each division and consolidated numbers was due to inter-division adjustments and eliminations.

Operating Results Review

Telecom Business

4G service take-up rate reached 43% of the Company's postpaid installed base as of the end of 2015, up from 16% a year ago. Given 4G postpaid's higher ARPU compared with 2G/3G, the increase in 4G subscribers boosted TWM's mobile postpaid ARPU by 3% YoY in 2015. Total telecom revenue, including handset sales, rose 2% YoY. Telecom EBITDA turned positive, growing 4% YoY, as a result of its solid 4G strategy and improved operating leverage.

Cable Business

Revenue in 2015 rose 3% from a year ago, driven by growth in digital TV and cable broadband businesses. Growth was attributed to a successful bundling strategy, which lifted the Company's digital TV penetration rate and cable broadband service adoption rate. Accordingly, EBITDA from the cable TV business rose 4% YoY.

Retail Business

The main growth driver came from the continuous expansion of the online shopping business, which surged 15% YoY in 2015. However, given higher expenses from TV channel expansion and a lower revenue mix from its higher-margin TV home shopping business, momo's EBITDA fell short of target, but still contributed 4% to the Company's consolidated EBITDA.

Scope of Business

Business overview

Telecom Business

1. Telecom products and services

Consumer Business Group (CBG)

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

Target customers	Service category	Description	Highlights
Individual consumers	Mobile	Voice	Basic telecommunication voice services, including making and receiving calls from fixed-line and mobile phones
		Data	Value-added services, including voice mail, call forwarding, call waiting, conferencing, SMS, roaming, call barring, video calls, multimedia and content (e.g. mobile TV, music, games, financial information, online bookstore, messaging apps, video clips, video streaming), and internet access using 4G/HSDPA/3G transmission
	IDD	International direct dialing services	

Enterprise Business Group (EBG)

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

Service category	Description
Mobile	<ul style="list-style-type: none"> ● Mobile virtual private network (MVPN) ● Mobile data virtual private network (MDVPN) ● Mobile broadband service ● Business mobility services, including financial, logistics, medical and retail apps, mobile device management, instant messaging (M+ Messages, enterprise edition) ● International roaming
Fixed-line voice	<ul style="list-style-type: none"> ● Integrated voice solutions, including multi-port residential gateway (MRG), local calls, long-distance calls, international calls and fixed mobile convergence (FMC) ● 080 domestic toll-free service, audio conference, intelligent network services (e.g., 0209 services) and international simple resale (ISR)
Fixed-line data	<ul style="list-style-type: none"> ● Domestic leased line, Metro Ethernet, IP virtual private network ● International private leased circuit (IPLC) and ADSL VPN
Internet	<ul style="list-style-type: none"> ● Internet access via leased line, Metro Ethernet, ADSL and FTTx
Cloud	<ul style="list-style-type: none"> ● The only Taiwanese operator of an Uptime Tier III certified cloud data center ● Infrastructure as a service (IaaS) ● Software as a service (SaaS), including web hosting, mail hosting, domain name system (DNS) management, security operations center (SOC) and video conference
Enterprise total solutions	<ul style="list-style-type: none"> ● Integration services consisting of mobile, fixed network, cloud, information and communication systems, including hardware and software system planning, deployment, maintenance, and network management operations. ● Industry-specific solutions, such as e-factories for manufacturing, FinTech for financial industry, e-commerce for retail industry.

2. Telecom revenue breakdown (including CBG and EBG)

Unit: NT\$m

Item \ Year	2015	
	Revenue	% of total
Service revenue	61,238	73%
Device sales revenue	22,543	27%
Total	83,781	100%

3. Telecom new products and services

Consumer Business Group

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

Enterprise Business Group

- (1) 4G mobile data virtual private network:

TWM Solution provides reliable, high-speed and secure 4G MDVPN, an ideal substitute for ADSL/FTTx networks for enterprises to meet their need for rapid deployment.

(2) Enterprise mobility services:

Steadily develop enterprise mobility applications and mobile commerce services with partners in the medical/financial/utility/security industries.

(3) Cloud storage service:

Provide customers with large, flexible and fast cloud storage space.

4. Mobile business operating status

(1) Postpaid products and services

In response to keen market competition and declines in voice minutes, the Company focused on boosting handset sales and the migration of 3G/4G clients to raise its ARPU. As of January 2016, 3G/4G client ratio was 97%.

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

(2) Prepaid products and services

The Company was ahead of its peers in launching 4G prepaid cards in 2014 and competitively priced 4G internet packages in 2015. These helped lift the Company’s value-added service (VAS) revenue excluding text messages from prepaid users by 32% YoY in 2015.

(3) Value-added services

The Company saw a significant increase in VAS revenue in 2015, surging 38% from a year ago. In particular, revenue from mobile internet access rose 46%, thanks to high-quality mobile internet services and flexible data rate plans, as well as the growing popularity of smartphones, tablets, data cards and netbooks. These helped attract a large number of mobile internet users and encouraged existing subscribers to use value-added services.

Home Business Group (HBG)

1. CATV products and services

TFN Media (TFNM), a subsidiary of the Company, holds a cable television system operator's license and a Type II telecommunication license. Combining the group's resources – from mobile and fixed-line to innovative cloud technology – HBG provides digital convergence services across “four screens and a cloud” to home users. Its subsidiary, TV production company Win TV Broadcasting, operates the “momo family channel” and owns distribution rights to a large number of outstanding domestic and foreign TV content, enabling it to provide subscribers with a wide range of digital audiovisual entertainment services.

Service category	Products / Services	Description
Pay TV	Digital TV	Uses high bandwidth coaxial cable to transmit a wide range of TV channels and programs to home TVs.
	High-definition digital TV	TWM Broadband's CATV networks transmit domestic and international digital TV channels to subscribers' homes; subscribers can use the set-top box provided by TWM Broadband to view high-definition digital video content.
Broadband internet access	Cable fiber-optic broadband internet access	Provides high-speed internet access service via a hybrid fiber/coaxial (HFC) network deployed by the CATV system operator, together with new-generation DOCSIS 3.0 broadband internet access technology.
Content distribution	Analog and digital TV channels	Distributes high-quality domestic and foreign TV content on both analog and digital TV services by licensing the broadcasting rights of these channels to other CATV system operators and video service platforms.
Digital home services	SuperMOD service	The first in Taiwan to provide high-definition on-demand video, audio and interactive applications/content by combining video on demand, internet TV and digital TV onto a single platform. Subscribers can access SuperMOD content on their TVs, computers, smartphones and tablets anytime, anywhere.
	HomePlay service	A multi-screen sharing service that enables subscribers to share and watch TV programs, HD video on demand and internet video content across multiple screens such as TVs, tablets and smartphones. Subscribers can access any content through any device via HomePlay's user-friendly application at home.
	PVR (Personal Video Recorder)	An interactive TV program recording device with 500G storage that enables subscribers to record TV programs through multiple devices including computer, television and handsets.
	HomeSecurity service	Offers round-the-clock protection for households and small and medium-sized businesses by providing a multi-screen monitoring and

		cloud storage system that sends out alerts via apps for smart devices, SuperMOD, SMS and e-mails.
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2. CATV revenue breakdown

Unit: NT\$m

Item \ Year	2015	
	Revenue	% of total
Pay TV service	4,460	68%
Cable broadband service	1,284	20%
TV content distribution and others	811	12%
Total	6,555	100%

3. CATV new products and services

(1) High-definition digital TV services:

In line with the government's push to achieve 100% digital cable TV penetration, TWM Broadband has positioned itself to maximize the opportunity by expanding the economic scale of HDTV and digitizing audio-visual home entertainment.

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

Consumer demand for high-speed internet access has soared with the fast-growing popularity of online videos and social media. TWM Broadband was ahead of the trend in upgrading its fiber-optic network, enabling it to provide 200M and 300M high-speed broadband access services in the past and even faster 1G services in the near future.

(3) Digital home services:

In 2014, TWM Broadband led the industry in introducing a multi-screen monitoring service called "HomeSecurity," giving users a new form of round-the-clock home protection service. In 2015, "HomeSecurity" was expanded to help small and medium-sized businesses manage their store operations.

Retail Business (momo.com Inc. or "momo")

1. Retail products and services

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

2. Retail revenue breakdown

Unit: NT\$mn

Item	Year	2015	
		Revenue	% of total
Online shopping		17,224	67%
TV home shopping, mail order service and others		8,416	33%
Total		25,640	100%

3. Retail new products and services

- (1) Develop new product categories: As online shopping takes off, offering product variety is critical to maintaining view rates and targeting the right customers. momo has successfully explored and introduced new product categories, including outdoor items, to sustain buyers' interest. Additionally, momo has introduced an e-voucher system to expand its service offerings.
- (2) Introduce new brands: Backed by its prolific marketing resources and a stable supply chain, momo has launched new quality brands, such as NARUKO, BEAUTYMAKER, Ido and Epin Lady. Meanwhile, momomall has teamed up with many large and well-known merchants, such as HOLA, Test Rite and Qsquare, and plans to continue seeking new partnership opportunities.
- (3) Expand business platforms: With CATV penetration nearly saturated and traditional TV viewership falling while digital TV and mobile devices rise in popularity, TV home shopping is adapting to changes in consumer lifestyle and trends by expanding into other broadcasting platforms. momo is focusing on consumer behavior and new mobile digital trends to keep pace with these changes. In the second quarter of 2015, momo introduced a new version of its TV app. Designed to provide customers with a more user-friendly interface, more diversified promotion campaigns, and a better shopping experience, the TV app helps enhance customer stickiness.
- (4) Build up mobile commerce: Sales via mobile devices continued to grow in 2015. momo aims to aggressively promote mobile commerce products by providing a better user experience to increase user stickiness and raise mobile commerce's share of total revenue.
- (5) Improve services: Logistics and information technology play a key role in addressing the "last-mile" issue. momo aims to enhance suppliers' delivery capabilities and build logistics and warehousing facilities to provide fast, transparent and timely deliveries.

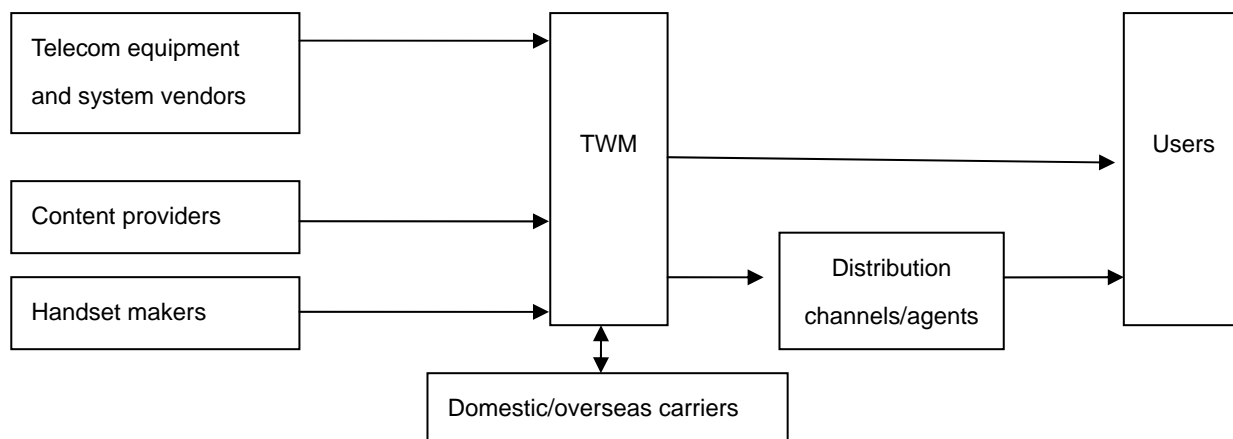
Industry overview

Consumer Business Group

1. Industry status and development

Though telecom operators have launched their 4G services one after the other since 2014, smaller players remain constrained by a lack of competent 4G network infrastructure and subscriber economies of scale. The three major operators will likely continue to dominate the market.

2. Industry value chain



3. Product development trends and competitive landscape

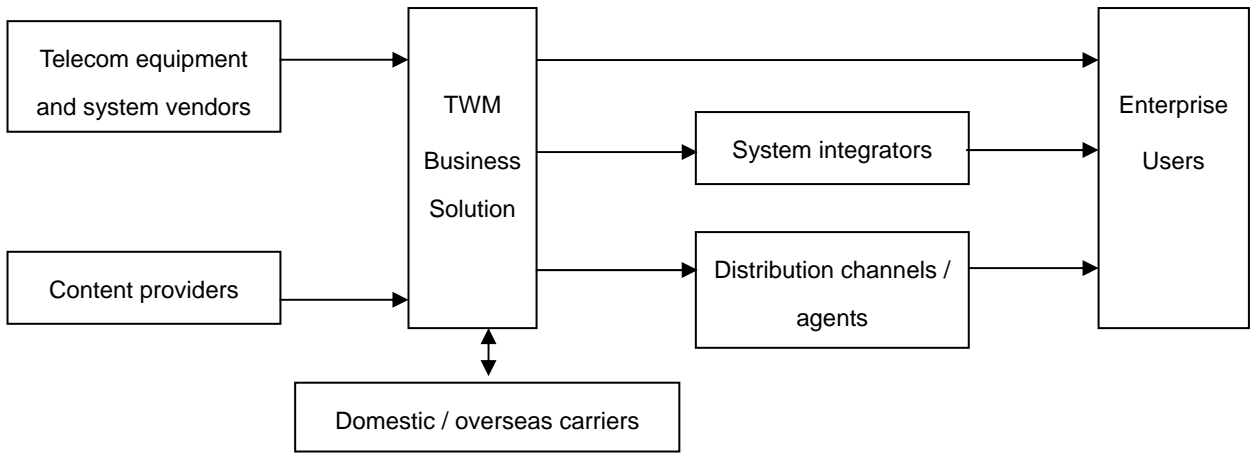
The operators are seeking to further expand the mobile broadband market in the 4G era. A variety of new rate plans for data services, combined with new terminal devices and new value-added services, has been introduced to stimulate 4G subscriber take-up. This should be an important future revenue growth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

Enterprise Business Group

1. Industry status and development

According to statistics provided by the National Communications Commission (NCC), there were 79 Type I telecommunication providers, including four fixed-line operators, six mobile operators and other circuit leasing operators; and 421 Type II telecommunication providers, including international simple resale (ISR), internet service providers (ISP), VoIP and other value-added service providers. Given intense competition in the fixed-line market and the growing trend toward IP network and digital convergence, telecommunication providers have to offer not only infrastructure, but also applications and total solutions.

2. Industry value chain



3. Product development trends and competitive landscape

Data provided by the NCC show that Chunghwa Telecom (CHT) has a virtual monopoly of the telecom market, accounting for over 90% of local network service revenue, about 50% of long-distance network service revenue and international network service revenue. Since CHT has the “last mile” advantage, other internet service providers find it hard to effectively compete with the carrier.

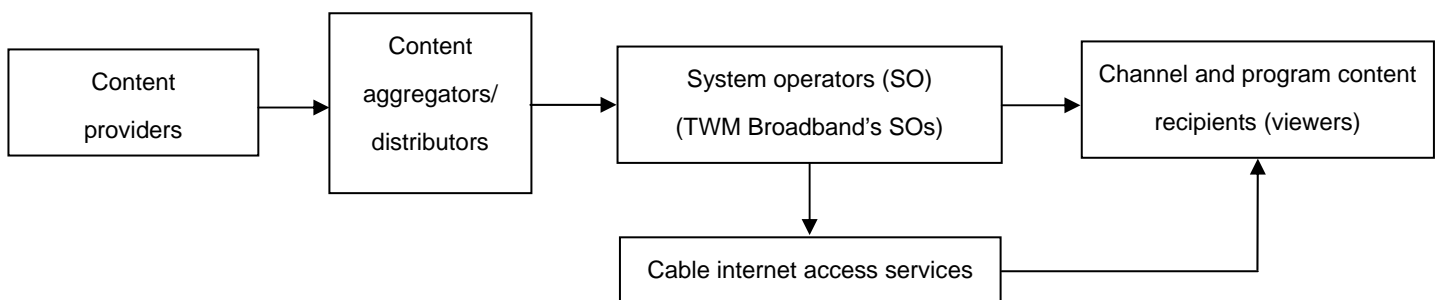
Cloud and enterprise mobility will be the main trends in the future. Carriers will provide various efficient and effective mobile commercial application services to enhance the competitiveness of enterprise clients.

Home Business Group

1. Industry status and development

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

2. Industry value chain



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

3. Product development trends and competitive landscape

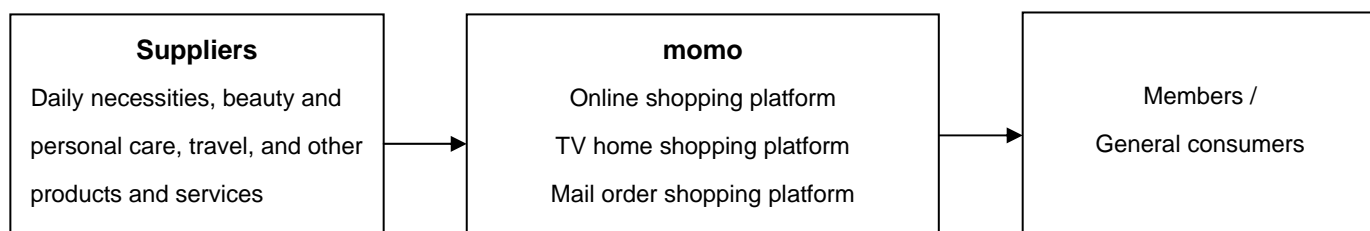
Despite a saturated market that is dominated by Chunghwa Telecom, TWM Broadband managed to grow its subscriber numbers in the cable internet business by bundling cable broadband products with HD DTV services in its cable TV service areas, following the example of leading global operators such as PCCW in Hong Kong, as well as AT&T and Comcast in the US. To fend off competition, TWM Broadband provides high-speed broadband internet access service, increases the number of high-definition programs and develops more innovative digital value-added services to let subscribers enjoy a whole new experience in home entertainment.

Retail Business

1. Industry status and development

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

2. Industry value chain



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

3. Product development trends and competitive landscape

(1) Online shopping: Although momo entered the market later than peers Yahoo! Taiwan and PChome Online, it has made major strides as a comprehensive business-to-consumer (B2C) e-commerce player, growing rapidly by leveraging its know-how in TV home shopping.

(2) TV home shopping: The rise of virtual shopping platforms has helped e-commerce and mobile commerce gain a foothold in Taiwan’s TV home shopping market. Moreover, as digital TVs become more popular, TV home shopping programs are finding greater opportunities to reach out to consumers. Aside from momo, leading players in the field are Easter Home Shopping (EHS), U-Life and viva. momo aims to provide better broadcasting programs that cater to consumers’ needs in a timely manner.

(3) Mail order: The mail order business attracts different types of players, from TV home shopping operators (e.g., momo, EHS, U-Life and viva) to multilevel marketing players (e.g., Amway, Avon, Herbalife and Nu Skin), and Japanese mail order companies (e.g. DHC and Orbis). momo's main rivals in this business are multilevel marketing players and Japanese mail order companies.

Research and development expenditure

Investment in research and development and its ratio as a percentage of total revenue are shown in the table below. For 2016, the Company plans to spend NT\$826mn on the research and development of more advanced technologies to increase customer satisfaction, which in turn should boost value-added service revenue and overall operations growth.

Year	2015	2016 (As of February 29)
R&D expense (NT\$'000)	764,669	114,472
As a % of total revenue	0.66%	0.58%

Major research and development achievements

Project name	Description
LTE new technology research	<ul style="list-style-type: none"> • LTE-Advanced small cell deployment strategy design to increase spectrum efficiency while saving energy • Massive multiple input and multiple output (MIMO) and small cell network in LTE-Advanced performance analysis • Beyond 4G mobile network architecture • Study of communication technologies for the "Beyond LTE-Advanced Era"
Extension of TWM billing system to external merchants	Provided innovative payment services to external merchants by using TWM billing – which supports various e-commerce and m-commerce business models – as a payment method
M+ Messages	Enhanced enterprise instant messaging functions. Built system on private cloud to improve communication efficiency, productivity and security
TAMedia mobile advertisement platform	Provided new video ads and native ads. Utilized big data technology to optimize advertising performance.
myVideo	Developed support for "download to own" and "download to rent" models to provide best quality video streaming and video services via Google Chromecast.
Mobile payment	Provided a mobile wallet service based on Near Field Communication (NFC) and QR Code technologies. This wallet can function as a credit card, membership/reward card and conduct online/offline transactions. It also supports coupon and advertising functions for merchants.
Value-added services for Voice over LTE (VoLTE)	Developed an entitlement server for iPhone users. VoLTE subscribers can also use MVPN to enjoy discounted rates.
Mobile game marketing platform	Built a market promotion platform for mobile games that supports game downloads, in-app payment, game tips, reward points, virtual item redemption, customer reviews and social networking functions.
myBook	Developed an end-to-end mechanism to enhance the reading experience of magazines on mobile devices. Provided a new reading system on mobile app to support interactive multimedia e-books.

Sales development plans

Consumer Business Group

1. Short-term plan

- (1) Continue to expand 4G LTE services and provide faster and more stable mobile internet services to attract more subscribers and encourage existing users to upgrade in order to increase 4G LTE penetration and user contribution.
- (2) Develop various rate plans to meet the needs of different types of customers and introduce a new store concept that provides optimal service processes and quality in order to give customers the best service experience.
- (3) Strengthen channel performance and competitiveness through management and deployment.
- (4) Leverage 4G LTE services to extend value-added services, including digital music, video and mobile commerce. Integrate virtual and physical channels to offer more instant and convenient consumption options.

2. Long-term plan

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

- (1) Establishing a "quadruple-play" platform that integrates mobile communication, fixed-line, broadband internet access and cable TV services to give the Company a lead over its competitors in offering digital convergence services in Taiwan.
- (2) Leveraging Internet of Things (IoT) technology to integrate mobile phone, network and cloud-computing technologies to expand the Company's service range and support development of innovative, profitable business models.

Enterprise Business Group

1. Short-term plan

- (1) Complete phase III construction of the cloud data center by 2016 and promote the data center to international clients.
- (2) Continue to develop dedicated M+ enterprise instant messaging system to offer unique and differentiated services.
- (3) TFN will launch an Anti-DDoS (Distributed Denial of Service) solution for Internet customers in 2016.
- (4) Promote fixed mobile convergence (FMC) by improving fixed broadband bandwidth and quality to increase the competitiveness of EBG's mobile services.

2. Long-term plan

EBG's vision is to expand enterprise services from network-centric to IP solutions, mobile applications and cloud services through steady investments in the following:

- (1) Cloud computing and enterprise mobility

- (2) Develop IoT integrated solutions for enterprise clients
- (3) Raise sales productivity and expand the small-and-medium enterprise market segment through channel integration

Home Business Group

1. Short-term plan

- (1) TWM Broadband will continue to optimize its network infrastructure in regions where it is already operating cable TV systems, and provide high-definition digital content and video on demand to set the foundation for its digital services.
- (2) TWM Broadband has commercially launched its 300Mbps super high-speed internet access service bundled with high-definition digital TV to boost its cable broadband and digital TV service penetration rates in hopes of raising its subscriber mix of high-speed broadband service users and number of DTV customers.

2. Long-term plan

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

Retail Business

1. Short-term plan

- (1) Online shopping: Provide differentiated value-added services, enhance competitive advantages in the mobile market, perform big data analytics and recommend more individualized products to clients. Make use of social shopping platforms and profit-sharing mechanisms to create a bigger impact on community websites. Develop a B2B2C business model to introduce more leading brands as well as mid-and-big physical suppliers to provide customers with more diverse product choices.
- (2) TV home shopping: Increase scale of products, expand mobile and digital platforms, and incorporate main suppliers into the company's supply chain management system.
- (3) Mail order: Strengthen visual editing to refine the design of momo catalogs and develop e-catalog services to expand touch points with customers.

2. Long-term plan

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

Customer satisfaction

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

Customer satisfaction key indicators	2013	2014	2015
Overall satisfaction	3.7	3.7	3.7
Call quality	3.7	3.7	3.7
Customer hotline service	4.4	4.3	4.2
Store service	4.2	4.1	4.2
Note: Customer satisfaction is rated based on the following scores: Very satisfied (5), Satisfied (4), Neither satisfied nor dissatisfied (3), Dissatisfied (2) and Very dissatisfied (1).			

Market and Sales Overview

Market analysis

Consumer Business Group

1. Main products and service areas

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

2. Market status

By the end of 2015, the penetration rate for mobile subscribers had reached 125%, implying a saturated market. However, along with the fast increasing adoption rate of 4G services, rapid innovations in mobile devices and rising demand for mobile internet and value-added services all suggest a growing market, encouraging new entrants to venture into the market.

3. Competitive advantages

(1) Better customer mix

In January 2016, the Company succeeded in improving its subscriber base structure, with 3G/4G subscribers accounting for 97%.

(2) Market leader in wireless broadband

In 2005, the Company became the first mobile communication operator in Taiwan to launch 3G services, and

in 2007, it rolled out the nation's first 3.5G services. In 2014, 4G services were launched. By the end of 2015, the Company had a 3G/4G subscriber base exceeding 7 million users, who contributed more significantly to value-added service ARPU than 2G subscribers and have become the main driver of VAS revenue growth.

4. Opportunities and challenges

Positive factors

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

Negative factors

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

Countermeasures

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

Enterprise Business Group

1. Main products and service areas

EBG mainly offers its products and services in Taiwan, but also provides international services in 243 countries. As of the end of 2015, the company's roaming services covered the following: GSM: 212 countries, 392 networks; GPRS: 175 countries, 333 networks; 3G: 134 countries, 254 networks; 4G: 43 countries, 68 networks.

2. Market status

Enterprise clients still need voice, data and internet services. Revenue from services related to mobility, cloud applications and ICT solutions have potential to grow significantly.

- (1) Voice service: Fixed lines' talk minutes for local and international calls as well as unit price for fixed-to-mobile

calls are expected to continue declining because of rising competition from VoIP and mobile services and the NCC's introduction of mobile termination rate cuts.

- (2) Data service: Given rising demand for enterprise data access, revenue from IP VPN and Metro Ethernet will remain the main contributor.
- (3) Internet service: As internet content services boom, enterprise demand for high-speed internet access service has been rising. However, fierce competition will result in moderate revenue growth.
- (4) Mobile service: As the demand for office mobility increases, TWM Solution is helping enterprise customers incorporate various mobile applications – including electronic workflow, commercial intelligence, mobile device management (MDM) and ERP – into their mobile devices through high-speed 4G services. With enterprise users increasingly accessing internet information via their smart devices, mobile data revenue should benefit from the rising demand for mobile internet services.
- (5) Cloud service: Interest in cloud services has swept across industries, with more and more players investing in the business in search of new hardware and software supply chain models. This bodes well for market expansion and increasing revenue from cloud services.

3. Competitive advantages

- (1) Premium brand equity: The Company provides customer-centric quality services. TWM Business Solution is readily associated with Taiwan Mobile and has won recognition among major enterprises.
- (2) Professional management team and efficient support group: Information security and backup framework are key considerations for enterprises adopting IP-based network. EBG fills this need, having won certifications from EuroCloud Star Audit (ECSA) and Cloud Security Alliance (CSA). Its cloud IDC is also the first and only data center in Taiwan to have been awarded a Tier III certification for design, construction and operational sustainability.
- (3) Effective sales teams and channels: The Company's direct sales teams and retail chains across the nation are an effective channel for developing and expanding services.
- (4) Expanding resources from international alliances: The Company is the sole Taiwanese member of the Bridge Alliance, the largest mobile alliance in the Asia-Pacific region with a combined customer base of about 340 million.

4. Opportunities and challenges

Positive factors

- (1) 4G foundation and cloud (IaaS) services: Market demand for mobility and cloud services will drive revenue growth.
- (2) Fixed broadband products are requested steadily: Enterprises need bigger bandwidth to transport more and more data.
- (3) EBG has long cultivated the enterprise market and knows what they need. It has teamed up with enterprises

to help them integrate their fixed-line, mobile, information system and cloud services.

Negative factors

- (1) The local loop bottleneck is a major obstacle to fixed-line operators' business expansion, as market leader Chunghwa Telecom continues to dominate with its last mile advantage.
- (2) Industrial and geographical boundaries have become increasingly blurred because of digital convergence. Domestic telecom operators face tough challenges from transnational large-scale content and cloud service companies.

Countermeasures

Confronted by changes in communication technology, multi-platform cloud services and mobility trends, as well as falling telecom service tariffs, enterprise clients are looking for telcos that can provide them not only basic telecom services, but also serve as a partner in exploring mobile, IoT and big data solutions. EBG will continue to promote and develop diversified services and applications to create more value and improve customer loyalty.

Home Business Group

1. Main products and service areas

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

2. Market status

(1) Cable TV

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

(2) High-definition digital cable TV

Digitalization is the future trend for CATV. With the Executive Yuan setting a target of 100% digital TV penetration rate by the end of 2016, business opportunities abound in this market of 8 million households nationwide. TWM Broadband is tapping into this digitalization value chain by offering rich HD content, stable and quality signals, various platforms for viewing TV programs and an affordable TV set promo package to boost digital TV's penetration rate.

(3) Broadband internet access

With the broadband internet access market moving toward higher-speed services, the migration of mid-to-low speed users to faster speeds will be the main growth driver for the market. TWM Broadband expects to gain

share in this market by offering competitive prices, around-the-clock customer service and superior quality for its up to 300Mbps internet access services.

3. Competitive advantages

(1) Optimize broadband network quality

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

(2) Strengthen fiber-optic broadband cable networks

TWM Broadband will continue to deploy a dense, ring-type fiber-optic backbone network and provide back-up systems for its bi-directional network with advanced DOCSIS 3.0 network technology. TWM Broadband is able to provide up to 300Mbps high-speed internet access services. Unlike ADSL with its range constraints, cable internet provides lower cost, but premium quality, super high-speed broadband services. To cope with the rising number of customers, the Company will deploy more and denser fiber nodes to provide them with higher-speed and more stable broadband services.

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

TWM Broadband aims to increase the variety and quantity of value-added services, such as HomeSecurity, personal video recorder (PVR), HomePlay and SuperMOD, to offer bundled services (i.e., broadband access, digital TV and VAS) in order to increase its subscriber base and ARPU.

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

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

(5) Offer broadband for content super deal

In April 2015, TWM Broadband launched a "100% broadband deductible package," that is, subscribers can use the equivalent of their monthly broadband fees to watch SuperMOD drama and movies for free. The plan boosted SuperMOD subscriber numbers and revenue. TWM Broadband will continue to push this plan to generate more revenue and secure customer loyalty.

4. Opportunities and challenges

Positive factors

(1) Government speeding up digitization policy to promote development of digital TV

Riding on the government's digitization policy push and the launch of its SuperMOD, HomePlay and HomeSecurity services, TWM Broadband promoted its CATV services and facilitated its analog TV customers'

switch to digital services, thereby raising its digital TV subscriber numbers and penetration rate. TWM Broadband will further increase its digital TV value-added services to boost its revenue stream.

(2) High-speed cable internet service has become the mainstream

Consumer demand for downloading, uploading and sharing high-definition videos are increasing and 60Mbps high-speed cable internet service has become the mainstream. TWM Broadband has finished upgrading its ring-type fiber-optic backbone network and infrastructure in its operating areas and adopted the latest high-speed DOCSIS 3.0 cable internet technology. It can provide high-speed broadband internet access speeds of 300Mbps to help expand its market share, as well as increase customer loyalty and ARPU.

Negative factors

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

Countermeasures

- (1) TWM Broadband has been able to utilize its parent company's extensive resources (e.g., technology, marketing, sales and distribution) to promote high-speed internet access services and market digital convergence services with Taiwan Mobile Group's telecommunication, information and media content services. TWM Broadband aims to provide a "one-stop shopping" service that meets all of its customers' needs in order to boost its cable TV, high-speed broadband internet access and high-definition digital TV subscriber numbers and their contribution to revenue.
- (2) TWM Broadband is using its digital cable TV platform to cultivate Taiwan's cultural and creative industries, enrich the nation's digital channel and connected TV content, and stimulate the development of digital content and innovative connected TV services.
- (3) TWM Broadband seeks to maintain good relations with local governments and communities. With the help of Taiwan Mobile Group's extensive resources – such as the Taiwan Mobile Foundation – TWM Broadband sponsors local artistic, cultural and charitable activities, while also subsidizing the cost of network deployment in remote areas, working to bridge the digital divide, and fulfilling its responsibilities as a good corporate citizen, thereby strengthening its corporate image of "community-based growth and giving back to the community."
- (4) TWM Broadband is closely monitoring developments in the regulatory authorities' policies on digitization and relevant laws and regulations. TWM Broadband will take the initiative in formulating countermeasures to deal with changes in the market.

Retail Business

1. Main products and service areas

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

2. Market status

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

3. Competitive advantages

- (1) A solid reputation: Backed by years of experience, momo has built a solid reputation among suppliers and buyers in the TV home shopping field. Aside from winning customers' confidence, momo has enhanced suppliers' willingness to entrust their brands to the Company, allowing it to offer a diverse range of products.
- (2) Strong support: momo is able to seize the initiative by leveraging off the resources of affiliates – including TWM's mobile, fixed-line and cable TV businesses and Fubon Group – to set up digital convergence, mobile platforms and mobile payment mechanisms.
- (3) Broad product mix: Consumers can book domestic or international trips with momo's 100%-owned subsidiary Fu Sheng Travel Service Co., Ltd. through momo's shopping website. Compared with its rivals, momo offers a wider and more competitive range of products, covering beauty and personal care; food, beverages and groceries; home necessities and household appliances; health, fitness and wellbeing, to cater to modern shoppers' demand for practical rather than trendy goods.

4. Opportunities and challenges

Positive factors

- (1) A rising mobile device penetration rate should foster rapid growth in the mobile shopping market.
- (2) E-commerce should benefit from the government's move to accelerate the rollout of fiber-optic and 4G wireless broadband networks.
- (3) A low birthrate and an aging population are creating a new social trend that is worth tapping into.

Negative factors

- (1) Some products featured on home shopping networks have been fined for deceptive and exaggerated advertising claims.
- (2) Substitution from competitors and keen market competition
- (3) High product homogeneity and cutthroat pricing competition lead to lower product gross margins

(4) Food safety risks

Countermeasures

- (1) Having started in TV home shopping, momo has an extensive system of suppliers and a professional product development team. This facilitated its expansion into online shopping, as it already has a trove of best-selling products to tap into this new field, which not only prolonged their product life cycle, but also increased sales volumes and distinguished them from the competition.
- (2) momo launched an online shopping mobile app to tap into the mobile market and increase customer stickiness. By promoting group buying and limited time promotions, momo is able to reach more consumers and stimulate buying willingness. The mobile platform also offers a more convenient shopping environment, encouraging consumers to increase the frequency of their purchases.
- (3) momo has a quality control team that visits factories to ensure that suppliers meet manufacturing safety standards. It also outsources product testings and examinations to ensure that product ingredients as well as labels comply with safety standards to minimize food safety hazards.
- (4) momo will continue to develop new sales platforms, such as mobile apps, shopping via remote control and digital TV interactive shopping, to meet changes in consumer buying behavior.
- (5) momo has enforced measures to filter out controversial or risky products and clearly define obligations between supplier and the company if and when fined.

Main features and production process of major products: The Company provides telecom services, analogue TV/digital TV subscription, cable broadband, TV home shopping/online shopping and integrated information/communication services.

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

Major suppliers and customers in the past two years

- A supplier/customer that accounts for at least 10% of consolidated procurement/revenue

Major suppliers

Unit: NT\$'000

	2014				2015			
	Company	Procurement amount	% of consolidated procurement	Nature of relationship	Company	Procurement amount	% of consolidated procurement	Nature of relationship
1	Company A	6,235,758	11	Third party	Company A	11,575,751	20	Third party
2	Company B	6,093,374	11	Third party				
3	Company C	5,798,408	11	Third party				
	Others	36,497,470	67		Others	47,348,470	80	
	Total	54,625,010	100		Total	58,924,221	100	

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

Reasons for variation

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

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

Sales volume in the past two years

Services		2014		2015	
		Sales volume	Revenue (NT\$'000)	Sales volume	Revenue (NT\$'000)
Mobile	Mobile services ('000 subs)	7,430	51,945,586	7,453	51,811,095
Domestic fixed-line	Local network ('000 minutes) ¹	1,041,871	610,890	906,242	580,204
	Domestic long distance ('000 minutes) ¹	113,009	111,702	103,213	103,569
International fixed-line	International network ('000 minutes) ¹	432,667	3,599,457	314,142	3,229,646
Data services ('000 lines)		403	2,106,410	401	2,118,267
Sales revenue ²		NA	44,752,181	NA	47,887,797
Others		NA	9,497,653	NA	10,413,627
Total			112,623,879		116,144,205

Note 1: Outgoing minutes only.

Note 2: Including retail sales of handsets, accessories, information products, 3C home appliances, daily necessities and cosmetic products.

Human Resources

Employee statistics in the past two years up to publication date

Year		2014	2015	2016 (as of March 30)
Number of employees	Consolidated	7,107	7,292	7,216
	Stand-alone (Note)	2,311	3,726	3,720
Education level *	Ph.D.	0.11%	0.12%	0.17%
	Master's	14.04%	14.15%	14.25%
	University	53.44%	55.34%	55.33%
	College	21.93%	20.19%	19.80%
	Others	10.48%	10.20%	10.45%
Average age		35.63	36.09	36.26
Average years of service		6.30	6.66	6.82

Note: The sharp increase in the number of employees in 2015 was due to transferring some employees from subsidiaries to the parent company to meet business needs.

Environmental Protection Expenditure

Loss or penalty due to environmental pollution in 2015 up to publication date in 2016: None

Countermeasures:

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

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

Employee Relations

Employee behavior/ethical standards

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

Delegation of authority

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

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

Work rules

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

Divisional responsibilities

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

Reward and punishment policies

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

Employee assessment policy

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

Attendance and leave policy

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

Business confidentiality policy

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

Sexual harassment prevention and handling procedures

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

Code of Conduct

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

Employee benefits program

1. All employees are entitled to labor insurance, national health insurance and group insurance coverage starting

from the first day of work.

2. The Company has an Employee Stock Ownership Trust (ESOT) and an employee profit-sharing plan.
3. The Company and its subsidiaries had established Employee Welfare Committees to handle and implement employee benefits programs. They were replaced in 2006 by a Joint Welfare Committee integrating all the committees set up by TWM and affiliates TAT, Mobitai, TFN and TFNM into a single unit. The committee is in charge of a number of benefits designed to raise employees' quality of life and promote physical and mental well-being, including club activities, company outings, family day, and benefits for special occasions such as weddings, festivals and funerals.

Employee training and education program

1. Training expense from 2015 to February 29, 2016 totaled NT\$89,021,428 with 79,251 participants and 90,242.5 in training hours.
2. Orientation for new employees includes introduction to the corporate culture, company organization, telecommunication market, IT and network systems, labor safety, as well as information security training.
3. Core competency development: Focus on basic competencies, including problem solving, decision-making, communication, project management, basic legal knowledge of the telecommunication market, team building and service skills.
4. Management training and development: Separate training programs for entry-level management, middle management and senior management. Training courses include performance management, leadership, motivation skills, strategy management, innovative thinking, team dynamics and organizational development skills.
5. The Company sends large numbers of employees to local and international telecommunication conferences, management forums, consulting seminars, and vendor training programs every year. These activities have a profound impact on upgrading the Company's technologies, developing new products, introducing new and innovative ideas, and improving managerial skills.
6. The Company has a scholarship program for employees to develop their expertise in telecommunication technologies and business administration.
7. The Company sponsors external training courses for all employees annually. Employees can select courses that combine their personal interests and job needs to reap the maximum benefits from these training sessions.

Retirement plan and implementation

1. The Company has published its Employee Retirement Guidelines according to regulations.
2. The Company has a Labor Pension Supervisory Committee, which was approved by the Taipei City Government. In addition, the Company retains the services of an actuary to assess and calculate labor pension reserves and provide a detailed report.

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

Employee safety and sanitary policy

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

1. Abide by and comply with regulations on environmental protection, safety and sanitation.
2. Be on constant lookout for potential hazards in the work environment to minimize accidents.
3. Promote health education, conduct physical examinations, and implement health management programs.

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

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

Labor negotiations and protection of employee benefits

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

Losses caused by labor disputes in 2015 up to publication date in 2016: The Company maintains a harmonious management/labor relationship and there were no material disputes.

Number of disabilities due to on-the-job injuries/fatalities in 2015 up to publication date in 2016

Year	2015	2016 (as of March 30)
Number of disabilities	1	1
Disabling Frequency Rate (FR, Note 1)	0.14	0.57
Disabling Severity Rate (SR, Note 2)	12	14

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

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

Major Contracts

Nature	Counterpart	Contract period	Description	Restriction clauses
Sales and distribution	Tecom Co., Ltd.	2015.04.01~2016.03.31 (Note 1)	Tecom is authorized to distribute TWM's mobile services.	Non-disclosure
	Aurora Telecom Corp.	2015.07.01~2017.06.30	Aurora is authorized to distribute TWM's mobile services.	Non-disclosure
	Tsann Kuen Enterprise Co., Ltd.	2014.06.01~2015.12.31 (Note 1)	Tsann Kuen is authorized to distribute TWM's mobile services.	Non-disclosure
Network interconnection	Chunghwa Telecom Co., Ltd.	2011.06.01~2012.05.31 (Note 2)	Network interconnection	Non-disclosure
	New Century InfoComm Tech Co., Ltd.	2015.07.01~2016.06.30	Network interconnection	Non-disclosure
	Taiwan Fixed Network Co., Ltd.	2011.01.01~2011.12.31 (Note 2)	Network interconnection	Non-disclosure
	Taiwan Star Telecom Corp., Ltd.	2015.07.01~2016.06.30	Network interconnection	Non-disclosure
	Asia Pacific Telecom Co., Ltd.	2011.08.01~2012.07.31 (Note 2)	Network interconnection	Non-disclosure
	Ambit Microsystems Corp.	2015.05.08~2016.05.07	Voice and SMS interconnection	Non-disclosure
	Far EasTone Telecommunications Co., Ltd.	2014.03.25~2015.03.24 (Note 1)	Voice and SMS interconnection	Non-disclosure
	Global Mobile Corp.	2011.05.01~2012.04.30 (Note 2)	Network interconnection	Non-disclosure
	Vee Time Corp.	2010.03.01~2011.02.28 (Note 2)	Network interconnection	Non-disclosure

Nature	Counterpart	Contract period	Description	Restriction clauses
Corporate bond offering	KGI Securities Co., Ltd. and Grand Cathay Securities Corp.	2012.12.20~2019.12.20	Third unsecured straight corporate bond issue of NT\$9 billion	Non-disclosure
	Yuanta Securities, MasterLink Securities, SinoPac Securities and Cathay Securities Corp.	2013.04.25~2018.04.25	Fourth unsecured straight corporate bond issue of NT\$5.8 billion	Non-disclosure
Long-term credit facility	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Taipei Branch	2015.04.15~2018.04.13	Long-term loan of NT\$2 billion	Non-disclosure
		2015.10.30~2018.10.30	Long-term loan of NT\$3 billion	
	Sumitomo Mitsui Banking Corp., Taipei Branch	2014.02.27~2016.02.26	Long-term loan of NT\$3 billion	Non-disclosure
		2015.04.30~2017.04.28	Long-term loan of NT\$3 billion	
Mizuho Bank, Ltd., Taipei Branch	2014.04.14~2016.04.14	Long-term loan of NT\$7 billion.	Non-disclosure	
Handset purchase	Apple Asia LLC	2013.04.01~2016.03.31	Handset purchase agreement	Non-disclosure
Equipment purchase	Nokia Solutions and Networks Taiwan Co., Ltd. (former name Nokia Siemens Networks Taiwan Co., Ltd.)	2014.01.01~2016.12.31	4G equipment supply contract for 2014-2016 set at NT\$11.564 billion	Non-disclosure
Customer service	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	2006.01.01~2010.12.31 (Note 1)	TT&T was consigned to manage TWM's customer services and product sales.	Non-disclosure
Operation consignment	Taiwan Digital Service Co., Ltd. (TDS)	2013.07.01~2015.06.30	TDS was consigned to manage TWM's direct sales channel and other related businesses.	Non-disclosure

Affiliates				
Handset procurement	Taiwan Mobile Co., Ltd. (TWM)	2013.07.01~2015.06.30	TWM was consigned to manage TDS' handset procurement business.	Non-disclosure
Construction	Li Jin Engineering Co., Ltd.	2015.10.20~2017.02.17	Construction of momo's logistics center	Non-disclosure
Equipment purchase	Daifuku Co., Ltd.	2015.12.29~2018.12.29	Equipment procurement for momo's logistics center	Non-disclosure

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

Note 2: Negotiations for the following year's contract shall commence three months prior to the contract's expiry date. If negotiations are not finalized prior to the expiry date, the parties shall agree to perform their obligations based on the current contract until such time when negotiations are finalized.

Chapter 5 Financial Highlights

Condensed Balance Sheets and Statements of Comprehensive Income

Consolidated condensed balance sheet (2012-2015) – Based on IFRS

Unit: NT\$'000

		2012	2013	2014	2015
Current assets		23,772,918	29,493,868	32,834,704	34,158,789
Investments		3,057,545	4,194,570	5,070,051	4,958,924
Property, plant and equipment (PP&E)		40,737,678	42,985,801	47,066,319	47,247,121
Intangible assets		26,654,154	54,837,271	61,168,844	62,402,424
Other assets		6,167,930	6,840,869	7,399,775	7,318,415
Total assets		100,390,225	138,352,379	153,539,693	156,085,673
Current liabilities	Before appropriation	29,930,393	58,605,638	53,468,928	59,232,218
	After appropriation	44,725,981	73,670,237	68,712,583	(Note1)
Non-current liabilities		12,816,539	21,226,100	33,570,433	31,561,731
Total liabilities	Before appropriation	42,746,932	79,831,738	87,039,361	90,793,949
	After appropriation	57,542,520	94,896,337	102,283,016	(Note1)
Equity attributable to owners of the parent company		56,571,089	57,433,894	60,247,435	59,555,705
Paid-in capital		34,208,328	34,208,328	34,208,328	34,208,328
Capital surplus		12,431,851	12,456,891	14,715,830	14,586,376
Retained earnings	Before appropriation	40,668,067	41,433,176	41,343,607	41,652,299
	After appropriation	25,872,479	26,368,577	26,099,952	(Note1)
Other equity interest		340,026	412,682	(302,986)	(1,173,954)
Treasury shares		(31,077,183)	(31,077,183)	(29,717,344)	(29,717,344)
Non-controlling interest		1,072,204	1,086,747	6,252,897	5,736,019
Total equity	Before appropriation	57,643,293	58,520,641	66,500,332	65,291,724
	After appropriation	42,847,705	43,456,042	51,256,677	(Note1)

Note 1: The appropriation amount for the 2015 earnings has to be approved at the AGM.

Note 2: All financial data have been duly audited by independent auditors.

Stand-alone condensed balance sheet (2012-2015) – Based on IFRS

Unit: NT\$'000

		2012	2013	2014	2015
Current assets		16,467,066	19,819,698	15,251,167	19,341,742
Investments		33,717,978	39,563,373	49,867,554	44,904,267
Property, plant and equipment (PP&E)		29,799,766	28,975,365	32,294,190	32,709,888
Intangible assets		11,932,848	40,247,043	39,117,370	40,441,171
Other assets		6,647,558	5,571,753	4,080,997	5,486,484
Total assets		98,565,216	134,177,232	140,611,278	142,883,552
Current liabilities	Before appropriation	30,377,402	57,236,700	53,250,046	58,318,339
	After appropriation	45,172,990	72,301,299	68,493,701	(Note1)
Non-current liabilities		11,616,725	19,506,638	27,113,797	25,009,508
Total liabilities	Before appropriation	41,994,127	76,743,338	80,363,843	83,327,847
	After appropriation	56,789,715	91,807,937	95,607,498	(Note1)
Paid-in capital		34,208,328	34,208,328	34,208,328	34,208,328
Capital surplus		12,431,851	12,456,891	14,715,830	14,586,376
Retained earnings	Before appropriation	40,668,067	41,433,176	41,343,607	41,652,299
	After appropriation	25,872,479	26,368,577	26,099,952	(Note1)
Other equity interest		340,026	412,682	(302,986)	(1,173,954)
Treasury shares		(31,077,183)	(31,077,183)	(29,717,344)	(29,717,344)
Total shareholders' equity	Before appropriation	56,571,089	57,433,894	60,247,435	59,555,705
	After appropriation	41,775,501	42,369,295	45,003,780	(Note1)

Note 1: The appropriation amount for the 2015 earnings has to be approved at the AGM.

Note 2: All financial data have been duly audited by independent auditors.

Consolidated condensed balance sheet (2011-2012) – Based on ROC GAAP

Unit: NT\$'000

		2011	2012
Current assets		18,126,033	19,884,936
Investments		2,161,551	2,842,353
Fixed assets		40,801,447	39,978,686
Intangible assets		27,760,674	26,781,024
Other assets		2,944,663	2,865,019
Total assets		91,794,368	92,352,018
Current liabilities	Before appropriation	36,105,959	30,726,480
	After appropriation	49,986,911	45,522,068
Long-term liabilities		4,000,000	8,995,180
Other liabilities		1,624,524	1,824,538
Total liabilities	Before appropriation	41,730,483	41,546,198
	After appropriation	55,611,435	56,341,786
Paid-in capital		34,208,328	34,208,328
Capital surplus		12,432,446	12,432,446
Retained earnings	Before appropriation	33,272,277	34,082,930
	After appropriation	19,391,325	19,287,342
Unrealized valuation loss on financial instruments		111,306	99,351
Translation adjustments		17,612	2,115
Net loss not recognized as pension cost		(16,775)	(24,050)
Treasury shares		(31,077,183)	(31,077,183)
Minority interest		1,115,874	1,081,883
Total shareholders' equity	Before appropriation	50,063,885	50,805,820
	After appropriation	36,182,933	36,010,232

Note: All financial data have been duly audited by independent auditors.

Stand-alone condensed balance sheet (2011-2012) – Based on ROC GAAP

Unit: NT\$'000

		2011	2012
Current assets		10,307,087	12,702,556
Investments		26,670,657	34,466,074
Fixed assets		31,268,171	29,131,007
Intangible assets		12,816,185	12,014,914
Other assets		3,665,604	3,650,151
Total assets		84,727,704	91,964,702
Current liabilities	Before appropriation	29,800,200	31,158,254
	After appropriation	43,681,152	45,953,842
Long-term liabilities		4,000,000	8,995,180
Other liabilities		1,979,493	2,087,331
Total liabilities	Before appropriation	35,779,693	42,240,765
	After appropriation	49,660,645	57,036,353
Paid-in capital		34,208,328	34,208,328
Capital surplus		12,432,446	12,432,446
Retained earnings	Before appropriation	33,272,277	34,082,930
	After appropriation	19,391,325	19,287,342
Unrealized valuation loss on financial instruments		111,306	99,351
Translation adjustments		17,612	2,115
Net loss not recognized as pension cost		(16,775)	(24,050)
Treasury shares		(31,077,183)	(31,077,183)
Total shareholders' equity	Before appropriation	48,948,011	49,723,937
	After appropriation	35,067,059	34,928,349

Note: All financial data have been duly audited by independent auditors.

Consolidated statements of comprehensive income (2012-2015) – Based on IFRS

Unit: NT\$'000

	2012	2013	2014	2015
Operating revenue	99,740,256	108,407,931	112,623,879	116,144,205
Gross profit	38,114,612	38,836,911	37,526,337	36,359,070
Operating income	20,782,210	21,071,835	19,711,810	18,769,149
Non-operating income (expenses)	(840,885)	(1,652,822)	(845,638)	(603,199)
Pre-tax income	19,941,325	19,419,013	18,866,172	18,165,950
Income from continuing operations	16,550,199	16,067,173	15,632,343	16,168,029
Loss from discontinued operations, net of tax	-	249,392	78,329	-
Net income	16,550,199	15,817,781	15,554,014	16,168,029
Other comprehensive income (after tax)	(57,035)	53,691	(720,968)	(1,091,109)
Comprehensive income	16,493,164	15,871,472	14,833,046	15,076,920
Profit attributable to owners of the parent company	16,326,013	15,583,447	15,006,337	15,686,186
Profit attributable to non-controlling interest	224,186	234,334	547,677	481,843
Comprehensive income attributable to owners of parent company	16,274,624	15,655,368	14,272,725	14,681,379
Comprehensive income attributable to non-controlling interest	218,540	216,104	560,321	395,541
EPS (NT\$)	6.07	5.79	5.56	5.76

Note: All financial data have been duly audited by independent auditors.

Stand-alone statements of comprehensive income (2012-2015) – Based on IFRS

Unit: NT\$'000

	2012	2013	2014	2015
Operating revenue	69,867,814	78,928,492	81,649,070	83,710,453
Gross profit	27,460,813	27,629,638	28,814,569	31,521,743
Operating income	13,063,580	8,258,017	5,712,718	12,397,268
Non-operating income (expenses)	5,244,610	8,329,636	10,029,032	4,366,737
Pre-tax income	18,308,190	16,587,653	15,741,750	16,764,005
Net income	16,326,013	15,583,447	15,006,337	15,686,186
Other comprehensive income (after tax)	(51,389)	71,921	(733,612)	(1,004,807)
Comprehensive income	16,274,624	15,655,368	14,272,725	14,681,379
EPS (NT\$)	6.07	5.79	5.56	5.76

Note: All financial data have been duly audited by independent auditors.

Consolidated condensed income statement (2011-2012) – Based on ROC GAAP

Unit: NT\$'000

	2011	2012
Operating revenue	81,369,183	98,250,353
Gross profit	32,727,673	35,972,109
Operating income	17,589,805	18,734,841
Non-operating income	672,876	200,288
Non-operating expenses	2,134,112	963,707
Pre-tax income	16,128,569	17,971,422
Net income	13,626,180	14,916,282
EPS (NT\$)	4.70	5.46

Note: All financial data have been duly audited by independent auditors.

Stand-alone condensed income statement (2011-2012) – Based on ROC GAAP

Unit: NT\$'000

	2011	2012
Operating revenue	61,919,273	68,025,875
Gross profit	24,125,399	25,616,164
Operating income	11,169,724	11,310,743
Non-operating income	4,506,462	6,068,970
Non-operating expenses	833,190	994,871
Pre-tax income	14,842,996	16,384,842
Net income	13,468,763	14,691,605
EPS (NT\$)	4.70	5.46

Note: All financial data have been duly audited by independent auditors.

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

Year	Accounting firm	Name of CPA	Opinion
2011	KPMG	Simon Chen, Janice Lai	Unqualified opinion
2012	KPMG	Simon Chen, Janice Lai	Unqualified opinion
2013	KPMG	Simon Chen, Leo Chi	Modified unqualified opinion
2014	KPMG	Simon Chen, Leo Chi	Unqualified opinion
2015	Deloitte & Touche	Kuo Li-Wen, Lai Kwan-Chung	Modified unqualified opinion

Financial Analysis

Consolidated financial analysis (2012-2015) – Based on IFRS

		2012	2013	2014	2015
Financial structure	Liability to asset ratio (%)	42.58	57.70	56.69	58.17
	Long-term fund to PP&E ratio (%)	170.33	182.99	199.33	192.85
Solvency	Current ratio (%)	79.43	50.33	61.41	57.67
	Quick ratio (%)	68.95	42.98	54.49	49.86
	Interest coverage ratio (%)	6,104.36	4,911.23	3,219.10	2,585.36
Operations	Accounts receivable turnover (x)	6.72	6.14	5.66	5.57
	Average collection days	54.31	59.44	64.48	65.52
	Inventory turnover (x)	13.05	12.00	12.19	12.46
	Accounts payable turnover (x)	9.01	9.53	10.03	11.11
	Average days sales	27.96	30.41	29.94	29.29
	Property, plant and equipment turnover (x)	2.45	2.54	2.51	2.46
	Total asset turnover (x)	0.99	0.79	0.77	0.75
Profitability	Return on assets (%)	16.99	13.53	11.00	10.84
	Return on equity (%)	29.48	27.34	25.51	26.19
	Pre-tax income as a % of paid-in capital	58.29	55.89	54.87	53.10
	Net income margin (%)	16.59	14.49	13.79	13.92
	EPS (NT\$)	6.07	5.79	5.56	5.76
Cash flow	Cash flow ratio (%)	86.82	42.37	53.00	43.57
	Cash flow adequacy ratio (%)	129.18	111.11	106.30	99.96
	Cash reinvestment rate (%)	9.63	6.18	7.50	5.43
Leverage	Operating leverage	2.07	2.13	2.66	2.84
	Financial leverage	1.02	1.02	1.03	1.04
Others	EBITDA (NT\$'000) (Note)	30,529,287	31,003,599	31,295,941	32,284,941
	EBITDA margin (%) (Note)	30.61	28.60	27.79	27.80

Explanation of significant changes in 2015 compared with the previous year:

- (1) The rise in borrowings led to increased interest expenses and a lower interest coverage ratio.
- (2) The cash reinvestment rate declined due to lower operating cash inflows in 2015.

Note: The 2014 and 2013 data do not include discontinued operations.

Stand-alone financial analysis (2012-2015) – Based on IFRS

		2012	2013	2014	2015
Financial structure	Liability to asset ratio (%)	42.61	57.20	57.15	58.32
	Long-term fund to PP&E ratio (%)	228.82	265.54	270.52	258.53
Solvency	Current ratio (%)	54.21	34.63	28.64	33.17
	Quick ratio (%)	46.49	29.92	24.32	25.76
	Interest coverage ratio (%)	4,841.74	3,835.17	2,726.79	2,426.13
Operations	Accounts receivable turnover (x)	5.39	5.10	5.38	5.58
	Average collection days	67.71	71.56	67.84	65.41
	Inventory turnover (x)	10.10	11.13	11.42	8.34
	Accounts payable turnover (x)	10.28	11.46	12.34	13.52
	Average days sales	36.13	32.79	31.96	43.76
	Property, plant and equipment turnover (x)	2.27	2.69	2.67	2.58
	Total asset turnover (x)	0.71	0.59	0.59	0.59
Profitability	Return on assets (%)	17.73	13.71	11.28	11.49
	Return on equity (%)	29.48	27.34	25.51	26.19
	Pre-tax income as a % of paid-in capital	53.52	48.49	46.02	49.01
	Net profit margin (%)	23.37	19.74	18.38	18.74
	EPS (NT\$)	6.07	5.79	5.56	5.76
Cash flow	Cash flow ratio (%)	58.81	21.31	32.37	28.39
	Cash flow adequacy ratio (%)	128.55	103.57	89.23	77.55
	Cash reinvestment rate (%)	3.22	-	1.25	0.75
Leverage	Operating leverage	2.02	2.64	5.89	3.28
	Financial leverage	1.03	1.06	1.12	1.06

Explanation of significant changes in 2015 compared with the previous year:

- (1) The decline in inventory turnover and increase in average days sales were both due to the higher inventory at year-end to meet robust handset sales.
- (2) The cash reinvestment rate declined due to lower operating cash inflows in 2015.
- (3) The operating leverage decreased due to a rising operating income resulting from lower operating expenses in 2015.

Note: The 2012-2015 financial data have been duly audited by independent auditors.

Formulas for the above tables:

Financial structure

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

Solvency

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

Operations

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

Profitability

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

Cash flow

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

Leverage

(1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income

(2) Financial leverage = Operating income / (Operating income – Interest expense)

Others

(1) EBITDA = Operating income + Depreciation + Amortization

(2) EBITDA margin = EBITDA / Net revenue

Consolidated financial analysis (2011-2012) – Based on ROC GAAP

		2011	2012	
Financial structure	Liability to asset ratio (%)	45.46	44.99	
	Long-term fund to fixed asset ratio (%)	131.98	146.88	
Solvency	Current ratio (%)	50.20	64.72	
	Quick ratio (%)	42.04	53.21	
	Interest coverage ratio (%)	6,796.94	5,511.22	
Operations	Accounts receivable turnover (x)	10.35	11.81	
	Average collection days	35.27	30.91	
	Inventory turnover (x)	11.39	13.24	
	Accounts payable turnover (x)	9.73	8.96	
	Average days sales	32.05	27.57	
	Fixed asset turnover (x)	1.99	2.46	
	Total asset turnover (x)	0.89	1.06	
Profitability	Return on assets (%)	15.60	16.50	
	Return on equity (%)	26.99	29.78	
	% of paid-in capital	Operating income	51.42	54.77
		Pre-tax income	47.15	52.54
	Net profit margin (%)	16.75	15.18	
EPS (NT\$)	4.70	5.46		
Cash flow	Cash flow ratio (%)	69.93	84.16	
	Cash flow adequacy ratio (%)	154.74	130.24	
	Cash reinvestment rate (%)	14.50	12.40	
Leverage	Operating leverage	1.97	2.14	
	Financial leverage	1.01	1.02	
Others	EBITDA (NT\$'000)	27,086,632	26,985,307	
	EBITDA margin (%)	33.29	27.47	

Stand-alone financial analysis (2011-2012) – Based on ROC GAAP

		2011	2012	
Financial structure	Liability to asset ratio (%)	42.23	45.93	
	Long-term fund to fixed asset ratio (%)	169.34	201.57	
Solvency	Current ratio (%)	34.59	40.77	
	Quick ratio (%)	28.47	32.04	
	Interest coverage ratio (%)	6,314.20	4,343.60	
Operations	Accounts receivable turnover (x)	9.76	10.22	
	Average collection days	37.39	35.71	
	Inventory turnover (x)	10.37	10.09	
	Accounts payable turnover (x)	12.26	10.28	
	Average days sales	35.19	36.17	
	Fixed asset turnover (x)	1.98	2.34	
	Total asset turnover (x)	0.73	0.74	
Profitability	Return on assets (%)	15.90	16.99	
	Return on equity (%)	26.99	29.78	
	% of paid-in capital	Operating income	32.65	33.06
		Pre-tax income	43.39	47.90
	Net profit margin (%)	21.75	21.60	
EPS (NT\$)	4.70	5.46		
Cash flow	Cash flow ratio (%)	74.40	67.31	
	Cash flow adequacy ratio (%)	148.99	133.23	
	Cash reinvestment rate (%)	9.70	6.38	
Leverage	Operating leverage	2.16	2.18	
	Financial leverage	1.02	1.04	

Note: All financial data have been duly audited by independent auditors.

Formulas for the above tables:

Financial structure

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

Solvency

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

Operations

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

Profitability

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

Cash flow

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

Leverage

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

Others

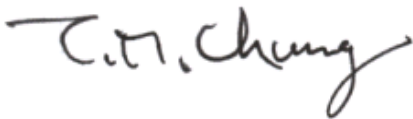
- (1) EBITDA = Operating income + Depreciation + Amortization
- (2) EBITDA margin = EBITDA / Net revenue

Audit Committee Report

Date: January 28, 2016

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2015 financial statements to the Audit Committee. The CPA firm, Deloitte & Touche, was retained by the Board to audit TWM's financial statements and has issued an audit report relating to the financial statements. The financial statements have been reviewed and determined to be correct and accurate by the Audit Committee of TWM. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report on behalf of all members of the committee to the 2016 Annual General Meeting for ratification.

Taiwan Mobile Co., Ltd.



Tsung-Ming Chung
Chairman of the Audit Committee

The 2015 Consolidated Financial Statements:

Refer to the attachment.

Financial Difficulties for the Company and its Affiliates:

None

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

Balance Sheet Analysis

Consolidated balance sheet analysis

Explanation of significant changes (at least a 20% change) in the past two years' assets, liabilities and shareholders' equity: No significant changes

2014 - 2015 Consolidated Balance Sheet

Unit: NT\$'000, %

	2014	2015	YoY change	
			Amount	%
Current assets	32,834,704	34,158,789	1,324,085	4.03
Investments	5,070,051	4,958,924	(111,127)	(2.19)
Property, plant and equipment	47,066,319	47,247,121	180,802	0.38
Intangible assets	61,168,844	62,402,424	1,233,580	2.02
Other assets	7,399,775	7,318,415	(81,360)	(1.10)
Total assets	153,539,693	156,085,673	2,545,980	1.66
Current liabilities	53,468,928	59,232,218	5,763,290	10.78
Non-current liabilities	33,570,433	31,561,731	(2,008,702)	(5.98)
Total liabilities	87,039,361	90,793,949	3,754,588	4.31
Paid-in capital	34,208,328	34,208,328	-	-
Capital surplus	14,715,830	14,586,376	(129,454)	(0.88)
Retained earnings	41,343,607	41,652,299	308,692	0.75
Other equity and treasury stock	(30,020,330)	(30,891,298)	(870,968)	2.90
Non-controlling interests	6,252,897	5,736,019	(516,878)	(8.27)
Total equity	66,500,332	65,291,724	(1,208,608)	(1.82)

Stand-alone balance sheet analysis

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

1. Current assets and other assets rose due to increases in inventories and related assets as the Company terminated its contract with Taiwan Digital Service, its 100%-owned subsidiary which managed its direct store operations.

2014- 2015 Stand-alone Balance Sheet

Unit: NT\$'000, %

	2014	2015	YoY change	
			Amount	%
Current assets	15,251,167	19,341,742	4,090,575	26.82
Investments	49,867,554	44,904,267	(4,963,287)	(9.95)
Property, plant and equipment	32,294,190	32,709,888	415,698	1.29
Intangible assets	39,117,370	40,441,171	1,323,801	3.38
Other assets	4,080,997	5,486,484	1,405,487	34.44
Total assets	140,611,278	142,883,552	2,272,274	1.62
Current liabilities	53,250,046	58,318,339	5,068,293	9.52
Non-current liabilities	27,113,797	25,009,508	(2,104,289)	(7.76)
Total liabilities	80,363,843	83,327,847	2,964,004	3.69
Paid-in capital	34,208,328	34,208,328	-	-
Capital surplus	14,715,830	14,586,376	(129,454)	(0.88)
Retained earnings	41,343,607	41,652,299	308,692	0.75
Other equity and treasury stock	(30,020,330)	(30,891,298)	(870,968)	2.90
Total shareholders' equity	60,247,435	59,555,705	(691,730)	(1.15)

Impact of changes in financial conditions on financial results: No significant impact

Preventive measures: Not applicable

Statements of Comprehensive Income Analysis

Consolidated Statements of Comprehensive Income

1. Decrease in non-operating expenses in 2015 was due to lower losses from asset write-offs.
2. Decrease in losses from discontinued operations: momo sold its loss-making cosmetics chain stores in 2014.

2014 – 2015 Consolidated Statements of Comprehensive Income

Unit: NT\$'000, %

	2014	2015	YoY change	
			Amount	%
Operating revenue	112,623,879	116,144,205	3,520,326	3.13
Operating costs	75,097,542	79,785,135	4,687,593	6.24
Gross profit	37,526,337	36,359,070	(1,167,267)	(3.11)
Operating expenses	17,924,638	17,894,501	(30,137)	(0.17)
Operating income	19,711,810	18,769,149	(942,661)	(4.78)
Non-operating income (expenses)	(845,638)	(603,199)	242,439	(28.67)
Income before tax	18,866,172	18,165,950	(700,222)	(3.71)
Profit from continuing operations	15,632,343	16,168,029	535,686	3.43
Loss from discontinued operations	78,329	-	(78,329)	(100.00)
Net income	15,554,014	16,168,029	614,015	3.95

Stand-alone Statements of Comprehensive Income

1. Increase in operating income: Both operating revenue and operating income rose as the Company terminated its direct store management contract with 100%-owned Taiwan Digital Service.
2. Decrease in non-operating income: Investment income from subsidiaries decreased as the Company terminated its direct store management contract with 100%-owned Taiwan Digital Service.

2014 – 2015 Stand-alone Statements of Comprehensive Income

Unit: NT\$'000, %

	2014	2015	YoY change	
			Amount	%
Operating revenue	81,649,070	83,710,453	2,061,383	2.52
Operating costs	52,822,273	52,234,342	(587,931)	(1.11)
Gross profit	28,814,569	31,521,743	2,707,174	9.40
Operating expenses	23,153,864	19,363,666	(3,790,198)	(16.37)
Operating income	5,712,718	12,397,268	6,684,550	117.01
Non-operating income (expenses)	10,029,032	4,366,737	(5,662,295)	(56.46)
Income before tax	15,741,750	16,764,005	1,022,255	6.49
Net income	15,006,337	15,686,186	679,849	4.53

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

In 2016, the Company will continue to leverage its 4G high-speed mobile internet service to expand its market share. As demand for smart devices increases, the Company will invest in value-added services to tap into this market's full growth potential. It will focus on developing and enhancing top-of-the-line mobile value-added services, including mobile shopping, mobile payment, video/audio services and myBook store (an e-book platform), to satisfy customer demand and boost average revenue per user. The Company will make full use of its potential and competitive edge in handset procurement to raise its cost-efficiency so as to meet its profit target.

Cash Flow Analysis

Consolidated cash flow analysis

1. Decrease in cash outflow from investment activities: Cash outflow declined from 2014 when the Company had higher investment.

2014 – 2015 Consolidated Cash Flow Statement

Unit: NT\$'000, %

	2014	2015	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	28,338,516	25,805,736	(2,532,780)	(8.94)
Cash inflow (outflow) from investment activities	(19,664,554)	(15,179,543)	4,485,011	(22.81)
Cash inflow (outflow) from financing activities	(8,735,720)	(9,948,924)	(1,213,204)	13.89
Impact from changes in exchange rate	11,241	(1,624)	(12,865)	NM
Net cash increase (decrease)	(50,517)	675,645	726,162	NM

Stand-alone cash flow analysis: No significant changes

2014 – 2015 Stand-alone Cash Flow Statement

Unit: NT\$'000, %

	2014	2015	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	17,234,402	16,554,741	(679,661)	(3.94)
Cash inflow (outflow) from investment activities	(3,870,819)	(4,547,144)	(676,325)	17.47
Cash inflow (outflow) from financing activities	(12,797,819)	(11,629,231)	1,168,588	(9.13)
Net cash increase (decrease)	565,764	378,366	(187,398)	(33.12)

Plans to improve negative liquidity: Not applicable

Consolidated projected cash flow for 2016

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

2016 Consolidated Projected Cash Flow Analysis

Unit: NT\$'000

Cash balance, beginning of the year (1)	Forecast net cash inflow from operations (2)	Forecast cash outflow from investment and financing activities (3)	Cash balance, end of the year (1) + (2) - (3)	Source of funding for negative cash balance	
				Cash inflow from investment activities	Cash inflow from financing activities
8,579,422	27,806,786	27,392,069	8,994,139	—	—

Source of funding for negative cash flow in 2016: Not applicable

Analysis of Major Capex and its Impact on Finance and Operations

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

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

All of TWM's long-term holdings are strategic investments. The Company is committed to promoting digital convergence and becoming a leading player in the T.I.M.E (telecommunication, internet, media and entertainment) era. In 2015, on a consolidated basis, TWM's investment gains from long-term investments under the equity method amounted to NT\$67,562 thousand as the operations of said investments stabilized. For future investments, TWM will continue to make decisions based on prudent strategic assessments.

Risk Management

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

1. Impact of interest rate fluctuations

Interest rate fluctuations had a minimal impact on TWM's 2015 short-term bank borrowings, as interest rates remained low and stable. The Company signed a mid-term loan agreement with the banks to lock in mid-to-long-term interest rates and minimize impacts from interest rate fluctuations.

2. Impact of exchange rate fluctuations

Only some of the Company's expenditures are denominated in euros and US dollars. To minimize the impact from foreign exchange rate fluctuations, the Company hedges risks through foreign exchange spot market transactions. Overall, exchange rate fluctuations had a minimal impact on the Company.

3. Impact of inflation

Inflation had a minimal impact on the Company's operating performance in 2015 up to publication date in 2016.

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

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

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

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

Research and development plans

Project name	Objective	Completion date
4G LTE customer experience management	Collect customer experience records from network probes to support better customer service, network optimization and user behavior analyses.	Dec. 2016
Call center PBX system – SS7 equipment upgrade	In line with the government policy to terminate 2G services, upgrade call center PBX and phase in voice gateway products and technology to build an IP-based service platform.	Dec. 2016
M+ Messages	Enhance enterprise IM (instant messaging) functions and optimize user interface to improve efficiency.	June 2016
TAMedia - Mobile advertisement platform	Design new categories of interactive ads.	Sept. 2016
myVideo	Develop new user interface and experience. Provide more solutions for big screen and interactive video.	Sept. 2016
Mobile payment	Enhance mobile wallet to support more e-ticket functions, transport card and a variety of coupons/promotions.	Sept. 2016
Value-added services for Voice-over LTE (VoLTE)	Provide MRBT (Multimedia Ring Back Tone) service for VoLTE customers.	June 2016
myBook	Remodel mobile app to enhance user experience and support interactive multimedia e-books (ePub3.0 standard).	Dec. 2016

Regulatory changes and developments

1. Revision of digital convergence regulations

(1) Status

In response to the development of digital convergence services, the NCC is planning to amend and reclassify major laws governing the telecommunications, terrestrial TV, cable TV and satellite TV industries into the following acts: the Telecommunication Enterprises Act, the Communication Infrastructure and Resource Administration Act, the Cable Multi-channel Platform Services Administration Act, the Radio and Television Enterprises and Channel Enterprises Administration Act, and the Electronic Communication Administration Act. The commission has been soliciting public opinions on digital convergence development since October 2015 and submitted a draft to the Executive Yuan on December 31, 2015. After soliciting public opinions online through the vTaiwan website and internal discussion, The Executive Yuan plans to submit the bill draft to the Legislative Yuan in May 2016.

(2) Countermeasures

The Company is closely monitoring the progress of the amendments and continues to communicate with and forward suggestions and recommendations concerning related policies and regulations to the NCC and the Executive Yuan to ensure a favorable regulatory environment for the industry's development.

2. NCC's auction of 2500MHz and 2600MHz bands

(1) Status

TWM participated in the NCC's first auction of the 2500MHz and 2600MHz bands on November 17, 2015. However, TWM decided to exit the auction when bidding prices appeared to exceed fair market value. Given that the Company has ample spectrum resources in hand to meet future demand and the government is planning to release more spectrums in 2017, TWM does not foresee risks from network constraints in the next three to five years.

(2) Countermeasures

TWM will continue to pursue network optimization to offer premium services and focus on participating in the NCC's spectrum auction in 2017 to provide customers with high-speed broadband services.

3. Legislative ban on media investments by political interest groups

(1) Status

The amendments to the Cable Radio and Television Act were passed and went into effect on January 8, 2016. However, the ban on investments in media outlets by political parties and the government remains. To give cable TV system operators more flexibility prior to a potential easing of the ban, the Legislative Yuan agreed to extend the term of the cable licenses from nine years to 12 years for the operators whose licenses were still valid prior to the date when the amendments took effect. System operators have to apply for licenses for local channels and shopping channels in accordance with the aforementioned amendments.

(2) Countermeasures

The relaxation of indirect government ownership in media outlets would have eased the restrictions preventing the Company from venturing into other cable TV service areas and given the Company more flexibility in expanding its business. The Company will continue to communicate with lawmakers and seek passage of the amendments.

4. NCC plans to introduce "a la carte" pricing for basic channels in 2017

(1) Status

The NCC plans to start implementing "a la carte" pricing for basic channels in 2017, but it has met with strong resistance from various parties. On December 4, 2015, the Legislative Yuan agreed in the principle to the plan and asked the NCC to submit a proposal for approval in six months. The NCC finished drafting a proposal in March 2016 and started holding public hearings on the plan in April.

(2) Countermeasures

The implementation of “a la carte” pricing for basic channels is expected to have a significant impact on the CATV industry. The Company is closely monitoring the progress of the policy and continues to communicate with the NCC and the Legislative Yuan in hopes of maintaining basic channels’ quality and quantity and have more flexibility in bundling channels and rate plans.

Technology changes and development

1. Long Term Evolution (LTE) and Long Term Evolution Advanced (LTE-A)

(1) Status

LTE is the dominant global 4G standard for mobile broadband. It supports both paired spectrum for frequency division duplex (FDD) and unpaired spectrum for time division duplex (TDD). LTE-A is a more advanced technology, with carrier aggregation (CA) being a major feature. CA technology can aggregate two or more non-contiguous LTE bands to provide a high throughput equivalent to that from contiguous LTE bands. In November 2015, the NCC held its first auction of the 2500MHz and 2600MHz frequency bands. TWM exited the auction when bidding prices appeared to exceed their fair market value.

(2) Countermeasures

TWM won two 15MHz x 2 blocks in the 700MHz (spectrum A4) and the 1800MHz (spectrum C1) bands during the auction in 2013, and has aggressively stepped up its network deployment:

- a. Started offering LTE services by deploying the 15MHz x 2 spectrum in the 700MHz band in June 2014.
- b. Provided 4G services through the 5MHz x 2 spectrum in the 1800MHz band and offered CA service by aggregating the 15MHz x 2 spectrum in the 700MHz band and the 5MHz x 2 spectrum in the 1800MHz band.
- c. Increased spectrum deployment in the 700MHz band up to 20MHz x 2 with total spectrum for CA service reaching 25MHz x 2.
- d. Increased spectrum deployment in the 1800MHz band up to 10MHz x 2 with total spectrum for CA service reaching 30MHz x 2.

As TWM has ample spectrum resources to meet market demand, it can afford to bide its time and join the next NCC spectrum auction in 2017. For now, the Company will continue to focus on providing high-speed 4G services with the widest network coverage to maintain its competitive edge.

2. Rising popularity of internet protocol

(1) Status

Software-defined networking (SDN) is a next-generation network architecture that separates the control layer and data transfer layer to optimize performance and simplify network configuration and deployment. Another important new technology is network function virtualization (NFV), which uses virtualization technology to separate network functions from proprietary hardware. NFV reduces the complexity of the integration and deployment of large numbers of specialized and proprietary hardware devices. The industry transformation by NFV and SDN will not only impact network computing platforms and network architecture, but also enable the rapid deployment of network infrastructure supporting smart cities, homes, cars, enterprises, and the Internet of Things (IoT).

(2) Countermeasures

TWM is actively evaluating, trialing and deploying SDN and NFV technology to enhance network performance and rapidly provide users innovative services with the most advanced network. To meet the IoT trend, the Company has accelerated cross-industry cooperation. In May 2015, it teamed up with Advantech, taking the first step in the development of the “Industrial Internet” in Taiwan. By combining TWM’s IaaS “cloud computing” and Advantech’s

"WebAccess," enterprises can introduce "Industrial Internet" rapidly, and significantly enhance their competitive advantage.

3. Digital convergence and cloud services

(1) Status

Next generation network (NGN) utilizes a converged all-IP network to transport voice, data, image and video, and support a wide variety of devices. Meanwhile, cloud services break the traditional boundaries between industries, triggering cross-industry competition.

(2) Countermeasures

At the end of 2010, TWM launched its four-screen-and-a-cloud digital convergence service, integrating handsets, PCs, tablets and TVs. In 2014, TWM launched a world-class green and energy-efficient cloud internet data center (IDC). In the same year, the Company's IaaS received a European Corporate Security Association (ECSA) certification. In 2015, its IaaS was also certified by the Cloud Security Alliance (CSA), while its cloud data center received an Uptime Institute Tier III Certification of Operational Sustainability (TCOS). TWM's strategy is to continuously enhance the information security, service quality and functions of its cloud services, and complementing them with world-class cloud IDC infrastructure.

Impact of changes in brand image on the Company's risk management policies in 2015 up to publication date in 2016:

None. TWM has long built up a sound image among investors and customers for its continuing efforts to enhance corporate governance, network communication quality and customer service, as well as to fulfill its corporate social responsibility. These efforts won numerous recognitions and awards in 2015 (please refer to Chapter 1) and should aid the Company in preventing, controlling and managing latent risks that it may face and help it maintain its good corporate image.

Expected benefits and risks from mergers in 2015 up to publication date in 2016: None.

Expected benefits and risks related to plant facility expansions in 2015 up to publication date in 2016: Not applicable as the Company is not a manufacturer.

Risks from supplier and buyer concentration in 2015 up to publication date in 2016:

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

Significant changes in shareholdings of directors and major shareholders in 2015 up to publication date in 2016: None.

Changes in management controls in 2015 up to publication date in 2016: Not applicable.

Significant lawsuits and non-litigious matters in 2015 up to publication date in 2016

1. The Company:

(1) Spectrum dispute between Far EasTone Telecommunications Co., Ltd. ("FET") and the Company

Parties Involved: FET is the plaintiff and the Company is the defendant.

Grounds for Lawsuit:

FET filed a lawsuit claiming that: a) TWM should not use the C1 spectrum block until it has returned the C4 spectrum block to the NCC; and, b) TWM should file an immediate application to return the C4 spectrum block to the NCC and pay FET NT\$1,005,800,000.

Status: The case is pending in the Taipei District Court.

(2) Provisional injunction filed over spectrum dispute between FET and the Company

Parties Involved: FET is the applicant and the Company is the counterparty.

Grounds for Lawsuit: FET filed a provisional injunction in May 2015 to prohibit the Company's use of the C1 spectrum block.

Status: On July 1, 2015, the Taipei District Court ruled that FET shall provide a collateral of NT\$1,048,703,000 or the same amount of negotiable certificates of deposit (NCDs) issued by the Bank of Taiwan in order to restrict the Company from using the C1 spectrum block from July 1, 2015 to June 30, 2017, before the Company returns the C4 spectrum block and receives the NCC's green light to use the C1 spectrum block. The Company can provide a counter-security of NT\$927,000,000 or the same amount of NCDs issued by the Bank of Taiwan to lift or nullify this injunction. The Company provided the counter-security on July 14, 2015 to continue using the C1 spectrum. The Company also filed a counterappeal against the above ruling. The Taiwan High Court rejected the Company's counterappeal in a final ruling in September 2015.

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

3. The Company's subsidiaries

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

The Construction Bureau of the Taichung City Government ruled that TFN should pay a construction and maintenance fee of NT\$18,688,057 for the reconstruction of the National Second Highway extension's interchange system – A-J bids for common duct construction for 2-1 Road in Fongyuan City.

Parties Involved: TFN is the defaulting party.

Grounds for Lawsuit:

The Construction Bureau ruled that TFN should pay a construction and maintenance fee of NT\$18,688,057 according to Article 21 of the Common Duct Act and Articles 2, 3 and 4 of the Regulations on Cost Allotment for Common Duct Construction and Management in March 2014. TFN disagreed with the above administrative disposition and filed an administrative appeal. The Taichung City Government revoked the original administrative disposition on June 20, 2014, and requested that the Construction Bureau issue an appropriate and eligible disposition within 90 days after receipt of such written decision from the Taichung City Government. The Construction Bureau has not yet issued a disposition.

Status: TFN received a payment of NT\$18,707,544 (including the disputed amount of NT\$18,688,057 and NT\$19,487 that TFN overpaid) from the Construction Bureau on May 26, 2015.

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

TCCI filed three lawsuits against Taiwan High Speed Rail Corp (THSRC): (i) the payment of preferred share dividends in 2007; (ii) the payment of preferred share dividends in 2008; and (iii) the buyback of the preferred shares.

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

Amount Claimed: NT\$24,726,027 for the dividends in 2007, NT\$25,000,000 for the dividends in 2008 and NT\$500,000,000 for the buyback of the preferred shares.

Grounds for Lawsuits:

On January 27, 2003, TCCI purchased 50,000,000 Class A name-bearing convertible preferred shares issued by THSRC at NT\$10 per share. According to Article 7-1 and Article 36, paragraph 3 of THSRC's Articles of Corporation, and Articles 8 and 18 of the Regulations for the Issuance and Conversion of Class A Name-Bearing Convertible Preferred Shares ("Regulations"), preferred stock dividends are set at 5% of par value per annum. Dividends are payable in cash on a yearly basis. The issue of preferred shares had been due on February 26, 2010, and TCCI was entitled to request THSRC to buy back the preferred shares in accordance with the above Regulations. However, THSRC has failed to pay any dividend since January 5, 2007. To protect its interests, TCCI filed two lawsuits against THSRC to claim its preferred stock dividends (NT\$24,726,027 for 2007 and NT\$25,000,000 for 2008) plus late payment interest, and filed another lawsuit against THSRC to buy back the preferred shares.

Status:

Lawsuits for 2007 and 2008 dividends: TCCI filed lawsuits on June 24, 2013 (for dividends in 2007) and September 23, 2013 (for dividends in 2008). Both the Shihlin District Court and the Taiwan High Court dismissed TCCI's lawsuits. TCCI filed appeals on December 12, 2014 (for dividends in 2007) and June 25, 2015 (for dividends in 2008) with the Supreme Court. On December 20, 2015, TCCI and THSRC signed an agreement that TCCI would drop the lawsuits seeking dividend payments for 2007 and 2008. TCCI received the cumulative dividend payments of NT\$214,657,534 from THSRC on January 20, 2016.

Lawsuit for buyback of preferred shares: TCCI filed a lawsuit on January 16, 2015, and the Shihlin District Court ruled in favor of TCCI on May 27, 2015. THSRC filed an appeal with the Taiwan High Court. On August 7, 2015, THSRC voluntarily bought back TCCI's preferred shares valued at NT\$500,000,000. On December 20, 2015, TCCI and THSRC signed the above agreement and TCCI dropped its lawsuit.

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

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

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

Grounds for Lawsuit:

On December 19, 2012, TIPO issued an administrative disposition in response to an appeal filed by Taiwan Kuro on September 1, 2010, for a review of the generalized licensing royalty rates announced by MUST on August 12, 2010. TIPO stated that pursuant to Article 25, Paragraph 6 of the Copyright Collective Management Organization Act: "When there is sufficient reason for an application for review under Paragraph 1, the specialized agency in charge of copyright matters shall make a determination of the given royalty rate, which shall be effective from the date of application for review, provided that in the case of applications made prior to the date of implementation of a given royalty rate, the newly determined rate shall take effect from the date of implementation." Taiwan Kuro disagreed with the generalized licensing royalty rates stipulated in TIPO's disposition and filed an administrative appeal. The Ministry of Economic Affairs dismissed the appeal issued by Taiwan Kuro on June 25, 2013. Taiwan Kuro filed an administrative litigation to revoke

TIPO's disposition on August 23, 2013. The Intellectual Property Court dismissed Taiwan Kuro's claim on March 26, 2014. Taiwan Kuro disagreed with the ruling and appealed to the Supreme Administrative Court on April 25, 2014. The Supreme Administrative Court reversed the original ruling and remanded the case to the Intellectual Property Court on August 17, 2015.

Status: The case is pending in the Intellectual Property Court.

Other major risks

Customer fraud management policy

1. Verification before activation

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

2. Monitoring after activation

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

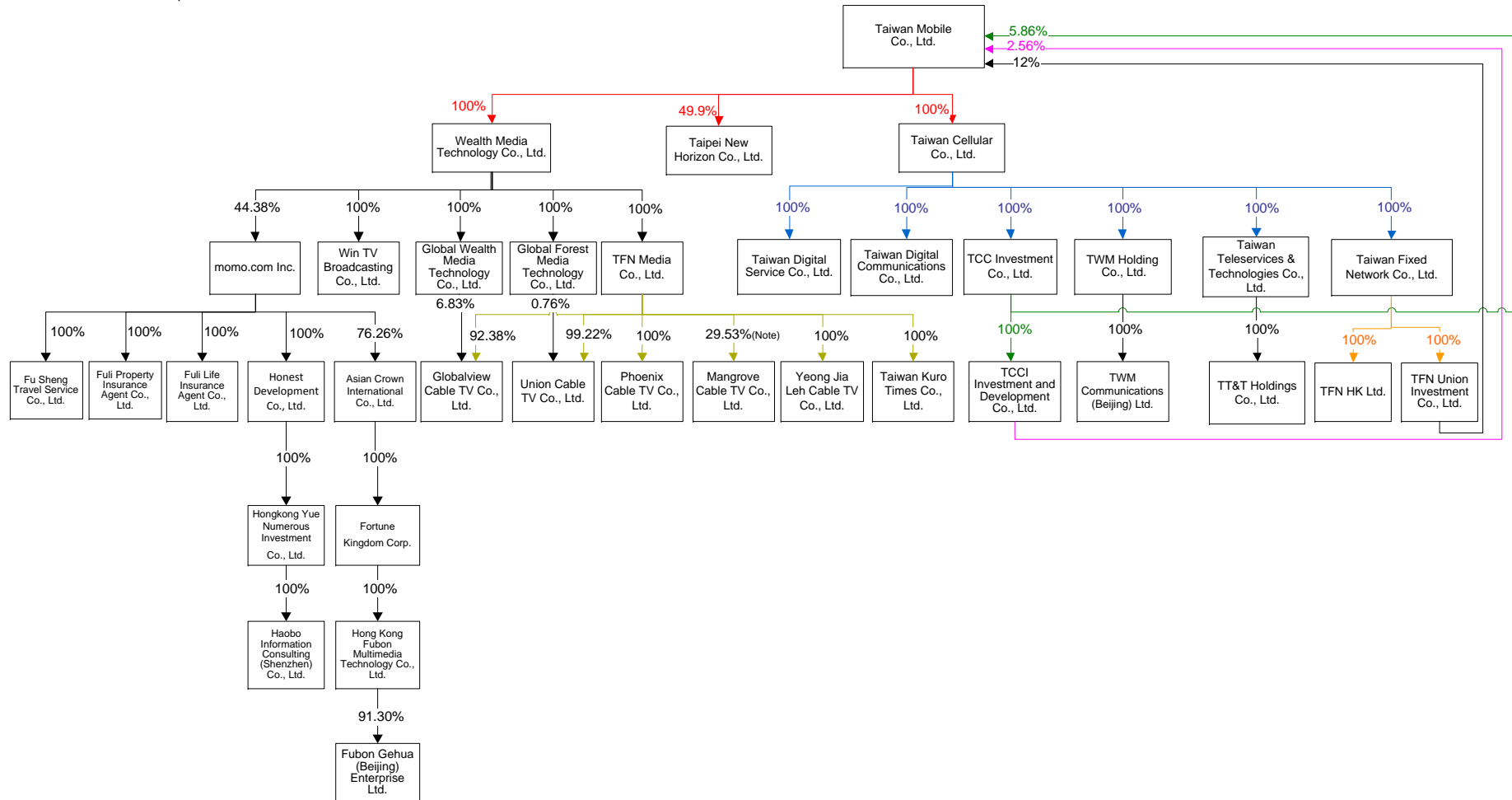
Other significant items: None.

Chapter 7 Special Notes

Affiliates

1. Investment holding structure

As of December 31, 2015



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

2. Affiliates' profile

December 31, 2015; Unit: NT\$ (unless otherwise stated)

Name	Date of incorporation	Address	Paid-in capital	Main business
Taiwan Cellular Co., Ltd.	2005.09.20	7F, No. 206, Sec. 2, Dunhua S. Rd., Da-an District., Taipei	5,029,703,090	Investment
Wealth Media Technology Co., Ltd.	2007.08.07	7F, No. 206, Sec. 2, Dunhua S. Rd., Da-an District., Taipei	420,650,000	Investment
Taipei New Horizon Co., Ltd.	2009.01.07	6F, No. 88, Yanchang Rd., Xinyi District, Taipei	3,845,000,000	Property investment and management of Songshan Cultural and Creative Park
Taiwan Fixed Network Co., Ltd.	2007.01.30	7F, No. 206, Sec. 2, Dunhua S. Rd., Da-an District., Taipei	21,000,000,000	Fixed-line service provider
Taiwan Teleservices & Technologies Co., Ltd.	2001.06.08	7F, No. 206, Sec. 2, Dunhua S. Rd., Da-an District., Taipei	24,843,000	Call center service and telemarketing
TWM Holding Co., Ltd.	2006.06.09	Arias, Fabrega & Fabrega Trust Co., BVI Ltd. 325 Waterfront Drive, Road Town, Tortola, British Virgin Islands	US\$1	Investment
TCC Investment Co., Ltd.	2009.08.10	7F, No. 206, Sec. 2, Dunhua S. Rd., Da-an District., Taipei	1,547,213,080	Investment
Taiwan Digital Communications Co., Ltd.	2007.06.06	7F, No. 206, Sec. 2, Dunhua S. Rd., Da-an District., Taipei	112,000,000	TV program production and mobile phone wholesale
Taiwan Digital Service Co., Ltd.	2013.04.02	7F, No. 206, Sec. 2, Dunhua S. Rd., Da-an District., Taipei	25,000,000	Commissioned maintenance service
TFN Media Co., Ltd.	2005.01.25	11F, No. 98, Zhouzi St., Neihu District, Taipei	2,309,213,040	Cable broadband and value-added services provider
Global Forest Media Technology Co., Ltd.	2008.12.26	7F, No. 206, Sec. 2, Dunhua S. Rd., Da-an District., Taipei	15,000,000	Investment
Global Wealth Media Technology Co., Ltd.	2007.10.26	1F, No. 206, Datong Rd., Sec. 2, Xizhi District, New Taipei City	89,448,670	Investment
Win TV Broadcasting Co., Ltd.	2005.10.17	11F, No. 98, Zhouzi St., Neihu District, Taipei	181,773,820	TV program provider
momo.com Inc.	2004.09.27	4F, No. 96, Zhouzi St., Neihu District, Taipei	1,420,585,000	Wholesale and retail sales
TFN Union Investment Co., Ltd.	2009.09.22	7F., No.206, Sec. 2, Dunhua S. Rd, Da-Aa District., Taipei	4,000,000	Investment
TFN HK Ltd.	2003.05.14	Unit 511, 5/F, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong	HK\$1,300,000	Telecommunications service provider
TT&T Holdings Co., Ltd.	2004.10.08	TrustNet Chambers Lotemau Centre, P.O. Box 1225, Apia, Samoa	US\$1,300,000	Investment
TWM Communications (Beijing) Ltd.	2002.09.17	Room 2106, No. 9, Beisihuan West Rd., Haidian District, Beijing, China	US\$3,000,000	Mobile application development and design
TCCI Investment and Development Co., Ltd.	2009.09.22	7F, No. 206, Sec. 2, Dunhua S. Rd., Da-an District., Taipei	1,047,120,000	Investment

Name	Date of incorporation	Address	Paid-in capital	Main business
Taiwan Kuro Times Co., Ltd.	2009.02.11	12F, No. 88, Yanchang Rd., Xinyi District, Taipei	120,000,000	Digital music service
Yeong Jia Leh Cable TV Co., Ltd.	1994.09.26	10F, No. 651-5, Zhongzheng Rd., Xinzhuang District, New Taipei City	339,400,000	Cable TV service provider
Mangrove Cable TV Co., Ltd.	1996.01.23	5F, No. 33, Lane 3, Zhongzheng E. Rd., Sec. 1, Danshui District, New Taipei City	211,600,000	Cable TV service provider
Phoenix Cable TV Co., Ltd.	1996.08.22	No. 312, Fongping 1st Rd., Daliao Township, Greater Kaohsiung	680,901,980	Cable TV service provider
Union Cable TV Co., Ltd.	2005.02.04	No.179, Nujhong Rd., Sec. 1, Yilan City, Yilan County	1,704,632,800	Cable TV service provider
Globalview Cable TV Co., Ltd.	1995.11.25	No. 206, Datong Rd., Sec. 2, Xizhi District, New Taipei City	560,000,000	Cable TV service provider
Asian Crown International Co., Ltd.	2009.01.07	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US\$34,750,000	Investment
Honest Development Co., Ltd.	2015.01.23	TMF Chambers, P.O. Box 3269, Apia, Samoa	US\$21,778,413	Investment
Fuli Life Insurance Agent Co., Ltd.	2005.12.27	7F, No 98, Zhouzi St., Neihu District, Taipei	5,000,000	Life insurance agency
Fuli Property Insurance Agent Co., Ltd.	2006.01.03	7F, No. 96, Zhouzi St., Neihu District, Taipei	5,000,000	Property insurance agency
Fu Sheng Travel Service Co., Ltd.	2004.12.16	7F, No. 92, Zhouzi St., Neihu District, Taipei	30,000,000	Travel agency
Fortune Kingdom Corp.	2009.01.06	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	US\$33,632,777	Investment
Hongkong Yue Numerous Investment Co., Ltd.	2015.03.12	Rm. 09, 27/F Ho King Comm Ctr 2-16 Fa Yuen St., Mongkok KLM, Hong Kong	HK\$16,600,000	Investment
Hong Kong Fubon Multimedia Technology Co., Ltd.	2010.03.18	Unit 1405-1406, Dominion Center, No. 43-59, Queen's Road East, Wanchai, Hong Kong	US\$33,632,777	Investment
Haobo Information Consulting (Shenzhen) Co., Ltd.	2008.11.14	2208B., Fuchun Eastern Building, Agricultural Science Center, Futian District, Shenzhen Shenzhen, Guangdong Province	RMB11,000,000	Investment
Fubon Gehua (Beijing) Enterprise Ltd.	2010.12.08	Room 101-106, Building No. 402, A10 North Jiuxianqiao Road, Chaoyang District, Beijing, China	RMB230,000,000	Wholesale sales

3. Affiliates' operating highlights

December 31, 2015; Unit: NT\$'000

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income	EPS (NT\$)
Taiwan Cellular Co., Ltd.	5,029,703	80,104,789	7,444	80,097,345	-	(983)	4,257,853	9.52
Wealth Media Technology Co., Ltd.	420,650	20,612,655	266	20,612,389	-	(254)	2,652,454	63.06
Taipei New Horizon Co., Ltd.	3,845,000	8,564,331	5,191,357	3,372,974	597,287	29,020	(79,785)	(0.21)
Taiwan Fixed Network Co., Ltd.	21,000,000	54,398,426	3,289,851	51,108,575	11,245,095	3,968,314	3,588,109	1.71
Taiwan Teleservices & Technologies Co., Ltd.	24,843	457,919	354,018	103,901	1,216,753	71,069	61,313	24.68
TWM Holding Co., Ltd.	0.032	265,878	340	265,538	-	(1,459)	6,367	6,367,001
TCC Investment Co., Ltd.	1,547,213	27,996,044	509,526	27,486,518	233	(4,936)	179,271	1.81
Taiwan Digital Communications Co., Ltd.	112,000	116,009	73	115,936	-	(835)	(303)	(0.03)
Taiwan Digital Service Co., Ltd.	25,000	585,243	80,902	504,341	9,229,679	490,323	409,948	32.62
TFN Media Co., Ltd.	2,309,213	14,265,521	4,495,787	9,769,734	3,186,905	1,780,086	2,177,731	9.43
Global Forest Media Technology Co., Ltd.	15,000	17,895	51	17,844	-	(230)	770	0.51
Global Wealth Media Technology Co., Ltd.	89,449	97,784	74	97,710	-	(155)	5,111	0.57
Win TV Broadcasting Co., Ltd.	181,774	494,886	194,709	300,177	903,537	91,849	85,080	4.68
momo.com Inc.	1,420,585	9,091,439	3,449,914	5,641,525	25,345,046	1,289,018	1,060,781	7.48
TFN Union Investment Co., Ltd.	4,000	41,067,563	1,125,263	39,942,300	2	(215)	(215)	(0.54)
TFN HK Ltd.	5,511	44,285	23,350	20,935	106,054	3,882	3,311	2.55
TT&T Holdings Co., Ltd.	40,943	54,418	-	54,418	-	-	2,134	1.64
TWM Communications (Beijing) Co., Ltd.	98,580	85,482	305	85,177	-	(1,396)	5	NA
TCCI Investment and Development Co., Ltd.	1,047,120	8,761,459	240,060	8,521,399	174	(353)	(338)	(0.01)
Taiwan Kuro Times Co., Ltd.	120,000	293,058	105,763	187,295	548,815	53,246	53,242	7.60
Yeong Jia Leh Cable TV Co., Ltd.	339,400	1,139,870	433,040	706,830	1,182,750	222,058	163,890	4.83
Mangrove Cable TV Co., Ltd.	211,600	617,584	230,564	387,020	503,681	124,836	104,987	4.96
Phoenix Cable TV Co., Ltd.	680,902	1,419,380	312,759	1,106,621	1,234,019	246,762	213,621	3.14
Union Cable TV Co., Ltd.	1,704,633	2,206,675	293,334	1,913,341	660,126	103,581	130,593	0.77

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income	EPS (NT\$)
Globalview Cable TV Co., Ltd.	560,000	914,979	210,181	704,798	516,023	89,167	77,039	1.38
Asian Crown International Co., Ltd.	1,068,610	46,719	-	46,719	-	(158)	(203,520)	(5.86)
Honest Development Co., Ltd.	670,448	713,723	-	713,723	-	-	25,162	1.16
Fuli Life Insurance Agent Co., Ltd.	5,000	11,358	495	10,863	3,763	2,771	2,367	4.73
Fuli Property Insurance Agent Co., Ltd.	5,000	8,364	248	8,116	276	(1,024)	(781)	(1.56)
Fu Sheng Travel Service Co., Ltd.	30,000	441,426	414,301	27,125	28,773	(10,240)	(9,252)	(3.08)
Fortune Kingdom Corp.	1,035,051	41,831	-	41,831	-	-	(203,533)	(6.05)
Hongkong Yue Numerous Investment Co., Ltd.	70,367	713,723	-	713,723	-	-	25,162	1.52
Hong Kong Fubon Multimedia Technology Co., Ltd.	1,035,051	41,831	-	41,831	-	(108)	(203,533)	(6.05)
Haobo Information Consulting (Shenzhen) Co., Ltd.	54,725	713,723	-	713,723	-	(3)	25,162	NA
Fubon Gehua (Beijing) Enterprise Ltd.	1,144,250	161,455	116,191	45,264	287,356	(222,137)	(222,815)	NA

Note : Exchange rate of US\$1=NT\$32.86, HK\$1=NT\$4.239 and RMB1=NT\$4.975 as of December 31, 2015

Average exchange rate of US\$1=NT\$31.7354, HK\$1=NT\$4.0931 and RMB1=NT\$5.034 for 2015

Private placement of company shares: None

TWM shares held / sold by subsidiaries

Unit: NT\$'000

Subsidiary	TCC Investment Co., Ltd. (TCCI)	TFN Union Investment Co., Ltd. (TUI)	TCCI Investment and Development Co., Ltd. (TID)
Paid-in capital	NT\$1,547,213	NT\$4,000	NT\$1,047,120
Source of funding	Equity	TFN established TUI with TWM shares	TFN Investment (Note 2) established TID with TWM shares
% owned by the Company	100%	100%	100%
Acquisition / disposal date	–	–	–
No. of shares acquired and payment costs	–	–	–
No. of shares sold / proceeds	–	–	–
Investment income	–	–	–
Up to publication date: Total No. of shares / value (Note 1)	200,496,761 shares / NT\$12,163,470	410,665,284 shares / NT\$22,312,814	87,589,556 shares / NT\$4,759,033
Pledges	None	None	None
Guarantees / endorsements provided by the Company	–	–	–
Financing provided by the Company	–	–	–

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

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

Other supplementary information: None

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

Taiwan Mobile Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2015 and 2014 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheet of Taiwan Mobile Co., Ltd. and subsidiaries (the "Group") as of December 31, 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2015. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our audits. The consolidated financial statements of the Group as of December 31, 2014, and for the year then ended have been audited by other auditors, who have issued an unqualified audit report dated January 29, 2015. However, as stated in Note 3 to the consolidated financial statements, starting from January 1, 2015, the Group prepares its consolidated financial statements in accordance with the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards, International Accounting Standards, Interpretations of International Financial Reporting Standards, and Interpretations of IASs ("2013 IFRSs"), which were endorsed by the Financial Supervisory Commission ("FSC") of Taiwan, the Republic of China ("ROC") and had taken effect on January 1, 2015, and had adjusted the consolidated financial statements as of and for the year ended December 31, 2014 for the adjustments arising from the retrospective application of the aforementioned amended regulations and 2013 IFRSs (the "Adjustments"). The predecessor auditors have not reissued their audit report on the aforementioned adjusted consolidated financial statements. Therefore, we have performed necessary audit procedures on the Adjustments to the aforementioned 2014 consolidated financial statements that resulted from the retrospective application of the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and 2013 IFRSs. In our opinion, the Adjustments referred to above are appropriate and have been properly applied.

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 ROC. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015, and the consolidated results of their operations and their consolidated cash flows for the year ended December 31, 2015, in conformity with the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and 2013 IFRSs, which were endorsed by the FSC of ROC.

As stated in Note 3 to the consolidated financial statements, effective January 1, 2015, the Group adopted the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and 2013 IFRSs, which were endorsed by the FSC of ROC and had taken effect on January 1, 2015, and had adjusted the consolidated financial statements as of and for the year ended December 31, 2014 for the Adjustments on the retrospective application of the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and 2013 IFRSs.

The separate financial statements of Taiwan Mobile Co., Ltd. as of and for the years ended December 31, 2015 and 2014 have been audited by us and other auditors, who have issued a modified unqualified and an unqualified audit report, respectively.

Deloitte & Touche

January 29, 2016

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, consolidated results of operations, and consolidated cash flows in accordance with accounting principles and practices generally accepted in Taiwan, 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 Taiwan, the Republic of China.

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in Taiwan, 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 consolidated financial statements shall prevail.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2015		December 31, 2014 (Retrospective Application)		LIABILITIES AND EQUITY	December 31, 2015		December 31, 2014 (Retrospective Application)	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 6 and 34)	\$ 8,579,422	5	\$ 7,903,777	5	Short-term borrowings (Note 19)	\$ 14,220,938	9	\$ 18,900,000	12
Available-for-sale financial assets (Notes 7 and 34)	1,028,132	1	2,213,757	1	Short-term notes and bills payable (Note 19)	10,793,487	7	5,593,031	4
Held-to-maturity financial assets	-	-	6	-	Accounts and notes payable	6,410,405	4	7,782,276	5
Accounts and notes receivable, net (Notes 5 and 9)	15,640,120	10	14,990,240	10	Accounts payable due to related parties (Note 34)	91,486	-	79,392	-
Accounts receivable due from related parties (Note 34)	62,103	-	34,561	-	Other payables (Note 34)	11,273,991	7	12,310,967	8
Other receivables (Note 34)	1,178,226	1	1,000,549	1	Current tax liabilities	1,876,908	1	2,114,614	1
Inventories (Note 10)	4,188,213	3	3,210,988	2	Provisions (Note 23)	166,217	-	217,083	-
Prepayments (Note 34)	439,628	-	486,343	-	Advance receipts (Note 20)	2,288,795	2	2,264,612	2
Other financial assets (Notes 34 and 35)	3,003,099	2	2,967,826	2	Long-term liabilities, current portion (Notes 22 and 34)	10,267,891	7	2,208,218	2
Other current assets	39,846	-	26,657	-	Other current liabilities	1,842,100	1	1,998,735	1
Total current assets	<u>34,158,789</u>	<u>22</u>	<u>32,834,704</u>	<u>21</u>	Total current liabilities	<u>59,232,218</u>	<u>38</u>	<u>53,468,928</u>	<u>35</u>
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Financial assets at fair value through profit or loss	158,322	-	-	-	Bonds payable (Note 21)	14,795,938	9	14,794,293	10
Available-for-sale financial assets (Note 7)	2,664,478	2	3,480,153	2	Long-term borrowings (Notes 22 and 34)	11,682,472	7	13,182,326	9
Financial assets at cost (Note 8)	192,700	-	192,652	-	Provisions (Note 23)	1,231,244	1	1,014,349	1
Debt instrument investment without active market	359,062	-	500,000	-	Deferred tax liabilities (Notes 5 and 27)	2,014,310	1	2,688,568	2
Investments accounted for using equity method (Notes 5, 12 and 34)	1,584,362	1	897,246	1	Net defined benefit liabilities (Note 26)	274,636	-	136,782	-
Property, plant and equipment (Notes 5 and 15)	47,247,121	30	47,066,319	31	Guarantee deposits	797,787	1	820,504	-
Investment properties, net (Note 16)	330,165	-	354,208	-	Other non-current liabilities (Note 24)	765,344	1	933,611	-
Concessions (Notes 17 and 35)	40,445,341	26	39,103,292	26	Total non-current liabilities	<u>31,561,731</u>	<u>20</u>	<u>33,570,433</u>	<u>22</u>
Goodwill (Notes 5 and 17)	15,845,930	10	15,845,930	10	Total liabilities	<u>90,793,949</u>	<u>58</u>	<u>87,039,361</u>	<u>57</u>
Other intangible assets, net (Notes 5 and 17)	6,111,153	4	6,219,622	4	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT				
Deferred tax assets (Notes 5 and 27)	811,782	1	885,173	1	(Note 28)				
Other financial assets (Notes 34, 35 and 36)	109,366	-	271,574	-	Common stock	34,208,328	22	34,208,328	22
Other non-current assets (Notes 18 and 34)	6,067,102	4	5,888,820	4	Capital surplus	14,586,376	9	14,715,830	10
Total non-current assets	<u>121,926,884</u>	<u>78</u>	<u>120,704,989</u>	<u>79</u>	Retained earnings				
					Legal reserve	23,038,209	15	21,537,666	14
					Special reserve	302,986	-	-	-
					Unappropriated earnings	18,311,104	12	19,805,941	13
					Other equity interests	(1,173,954)	(1)	(302,986)	-
					Treasury shares	(29,717,344)	(19)	(29,717,344)	(20)
					Total equity attributable to owners of parent	59,555,705	38	60,247,435	39
					NON-CONTROLLING INTERESTS (Note 28)	5,736,019	4	6,252,897	4
					Total equity	<u>65,291,724</u>	<u>42</u>	<u>66,500,332</u>	<u>43</u>
TOTAL	<u>\$ 156,085,673</u>	<u>100</u>	<u>\$ 153,539,693</u>	<u>100</u>	TOTAL	<u>\$ 156,085,673</u>	<u>100</u>	<u>\$ 153,539,693</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated January 29, 2016)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014 (Retrospective Application)	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 30 and 34)	\$ 116,144,205	100	\$ 112,623,879	100
OPERATING COSTS (Notes 34 and 39)	<u>79,785,135</u>	<u>69</u>	<u>75,097,542</u>	<u>67</u>
GROSS PROFIT FROM OPERATIONS	<u>36,359,070</u>	<u>31</u>	<u>37,526,337</u>	<u>33</u>
OPERATING EXPENSES (Notes 34 and 39)				
Marketing	12,820,487	11	12,979,678	11
Administrative	<u>5,074,014</u>	<u>4</u>	<u>4,944,960</u>	<u>4</u>
Total operating expenses	<u>17,894,501</u>	<u>15</u>	<u>17,924,638</u>	<u>15</u>
NET OTHER INCOME AND EXPENSES	<u>304,580</u>	<u>-</u>	<u>110,111</u>	<u>-</u>
OPERATING INCOME	<u>18,769,149</u>	<u>16</u>	<u>19,711,810</u>	<u>18</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 31 and 34)	448,789	-	541,030	-
Other gains and losses, net (Notes 31 and 34)	(388,633)	-	(780,195)	(1)
Finance costs (Notes 31 and 34)	(730,917)	-	(601,834)	-
Share of profit (loss) of associates accounted for using equity method (Note 12)	<u>67,562</u>	<u>-</u>	<u>(4,639)</u>	<u>-</u>
Total non-operating income and expenses	<u>(603,199)</u>	<u>-</u>	<u>(845,638)</u>	<u>(1)</u>
PROFIT BEFORE TAX	18,165,950	16	18,866,172	17
INCOME TAX EXPENSE (Note 27)	<u>1,997,921</u>	<u>2</u>	<u>3,233,829</u>	<u>3</u>
PROFIT FROM CONTINUING OPERATIONS	16,168,029	14	15,632,343	14
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 11 and 34)	<u>-</u>	<u>-</u>	<u>(78,329)</u>	<u>-</u>
PROFIT	<u>16,168,029</u>	<u>14</u>	<u>15,554,014</u>	<u>14</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that are not to be reclassified to profit or loss				
Re-measurements from defined benefit plans	(133,738)	-	(18,726)	-
Share of other comprehensive income (loss) of associates accounted for using equity method	(1,275)	-	-	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation	(12,254)	-	14,226	-
Unrealized gains (losses) on available-for-sale financial assets	(907,330)	(1)	(763,588)	(1)
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>(36,512)</u>	<u>-</u>	<u>47,120</u>	<u>-</u>
Other comprehensive loss (after tax)	<u>(1,091,109)</u>	<u>(1)</u>	<u>(720,968)</u>	<u>(1)</u>
COMPREHENSIVE INCOME	<u>\$ 15,076,920</u>	<u>13</u>	<u>\$ 14,833,046</u>	<u>13</u>
PROFIT ATTRIBUTABLE TO:				
Owners of parent	\$ 15,686,186	14	\$ 15,006,337	14
Non-controlling interests	<u>481,843</u>	<u>-</u>	<u>547,677</u>	<u>-</u>
	<u>\$ 16,168,029</u>	<u>14</u>	<u>\$ 15,554,014</u>	<u>14</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of parent	\$ 14,681,379	13	\$ 14,272,725	13
Non-controlling interests	<u>395,541</u>	<u>-</u>	<u>560,321</u>	<u>-</u>
	<u>\$ 15,076,920</u>	<u>13</u>	<u>\$ 14,833,046</u>	<u>13</u>
EARNINGS PER SHARE				
Basic (Note 29)				
Basic earnings per share from continuing operations	\$ 5.76		\$ 5.57	
Basic loss per share from discontinued operations	<u>-</u>		<u>(0.01)</u>	
Total basic earnings per share	<u>\$ 5.76</u>		<u>\$ 5.56</u>	
Diluted (Note 29)				
Diluted earnings per share from continuing operations	\$ 5.75		\$ 5.56	
Diluted loss per share from discontinued operations	<u>-</u>		<u>(0.01)</u>	
Total diluted earnings per share	<u>\$ 5.75</u>		<u>\$ 5.55</u>	

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

(With Deloitte & Touche audit report dated January 29, 2016)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent											
	Common Stock	Capital Surplus	Retained Earnings			Other Equity Interests			Treasury Shares	Total	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-sale Financial Assets					
BALANCE, JANUARY 1, 2014	\$ 34,208,328	\$ 12,456,891	\$ 19,262,044	\$ -	\$ 22,171,132	\$ 24,948	\$ 387,734	\$(31,077,183)	\$ 57,433,894	\$ 1,086,747	\$ 58,520,641	
Effects of retrospective application and retrospective adjustment	-	-	-	-	(13,363)	-	-	-	(13,363)	-	(13,363)	
RETROSPECTIVE APPLICATION BALANCE, JANUARY 1, 2014	<u>34,208,328</u>	<u>12,456,891</u>	<u>19,262,044</u>	<u>-</u>	<u>22,157,769</u>	<u>24,948</u>	<u>387,734</u>	<u>(31,077,183)</u>	<u>57,420,531</u>	<u>1,086,747</u>	<u>58,507,278</u>	
Distribution of 2013 earnings	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	2,275,622	-	(2,275,622)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(15,064,599)	-	-	-	(15,064,599)	-	(15,064,599)	
Total distribution of earnings	-	-	<u>2,275,622</u>	<u>-</u>	<u>(17,340,221)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,064,599)</u>	<u>-</u>	<u>(15,064,599)</u>	
Profit for the year ended December 31, 2014	-	-	-	-	15,006,337	-	-	-	15,006,337	547,677	15,554,014	
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	(17,944)	6,346	(722,014)	-	(733,612)	12,644	(720,968)	
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	<u>14,988,393</u>	<u>6,346</u>	<u>(722,014)</u>	<u>-</u>	<u>14,272,725</u>	<u>560,321</u>	<u>14,833,046</u>	
Changes in equity of associates accounted for using equity method	-	1,665	-	-	-	-	-	-	1,665	(258)	1,407	
Disposal of TWM's shares by subsidiaries	-	1,520,403	-	-	-	-	-	1,359,839	2,880,242	-	2,880,242	
Difference between consideration and carrying amount of subsidiaries' shares disposed of	-	85,965	-	-	-	-	-	-	85,965	229,995	315,960	
Adjustments arising from changes in percentage of ownership of subsidiaries	-	650,906	-	-	-	-	-	-	650,906	2,864,113	3,515,019	
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(224,481)	(224,481)	
Effects of obtaining control of subsidiaries	-	-	-	-	-	-	-	-	-	<u>1,736,460</u>	<u>1,736,460</u>	
RETROSPECTIVE APPLICATION BALANCE, DECEMBER 31, 2014	<u>34,208,328</u>	<u>14,715,830</u>	<u>21,537,666</u>	<u>-</u>	<u>19,805,941</u>	<u>31,294</u>	<u>(334,280)</u>	<u>(29,717,344)</u>	<u>60,247,435</u>	<u>6,252,897</u>	<u>66,500,332</u>	
Distribution of 2014 earnings	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	1,500,543	-	(1,500,543)	-	-	-	-	-	-	
Special reserve	-	-	-	302,986	(302,986)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(15,243,655)	-	-	-	(15,243,655)	-	(15,243,655)	
Total distribution of earnings	-	-	<u>1,500,543</u>	<u>302,986</u>	<u>(17,047,184)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,243,655)</u>	<u>-</u>	<u>(15,243,655)</u>	
Profit for the year ended December 31, 2015	-	-	-	-	15,686,186	-	-	-	15,686,186	481,843	16,168,029	
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	(133,839)	(8,908)	(862,060)	-	(1,004,807)	(86,302)	(1,091,109)	
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	<u>15,552,347</u>	<u>(8,908)</u>	<u>(862,060)</u>	<u>-</u>	<u>14,681,379</u>	<u>395,541</u>	<u>15,076,920</u>	
Changes in equity of associates accounted for using equity method	-	11,203	-	-	-	-	-	-	11,203	14,038	25,241	
Adjustments arising from changes in percentage of ownership of subsidiaries	-	(140,657)	-	-	-	-	-	-	(140,657)	(255,874)	(396,531)	
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	<u>(670,583)</u>	<u>(670,583)</u>	
BALANCE, DECEMBER 31, 2015	<u>\$ 34,208,328</u>	<u>\$ 14,586,376</u>	<u>\$ 23,038,209</u>	<u>\$ 302,986</u>	<u>\$ 18,311,104</u>	<u>\$ 22,386</u>	<u>\$ (1,196,340)</u>	<u>\$(29,717,344)</u>	<u>\$ 59,555,705</u>	<u>\$ 5,736,019</u>	<u>\$ 65,291,724</u>	

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

(With Deloitte & Touche audit report dated January 29, 2016)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (Retrospective Application)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	\$ 18,165,950	\$ 18,866,172
Loss from discontinued operations before tax	<u>-</u>	<u>(94,363)</u>
Profit before tax	18,165,950	18,771,809
Adjustments		
Depreciation expense	10,576,173	9,721,579
Amortization expense	2,939,619	1,871,429
Gain on disposal of non-current assets held for sale, net	-	(153,706)
Loss on disposal of property, plant and equipment, net	332,085	969,694
Gain on disposal of intangible assets	(47)	-
Provision for bad debt expense	395,016	373,778
Finance costs	730,917	601,834
Interest income	(154,760)	(94,992)
Dividend income	(21,213)	(22,803)
Share-based payments of subsidiaries	-	2,840
Impairment loss on non-financial assets (from discontinued operations)	-	17,794
Share of loss (profit) of associates accounted for using equity method	(67,562)	4,639
Valuation loss on financial assets at fair value through profit or loss	68,618	-
Loss (gain) on disposal of investments, net	(12,437)	168
Gain on foreign exchange, net	(40,004)	(483)
Others	1,629	(593)
Changes in operating assets and liabilities		
Financial assets held for trading	1,478	-
Accounts and notes receivable	(1,234,205)	(1,782,136)
Accounts receivable due from related parties	(27,542)	14,996
Other receivables	(182,688)	(49,560)
Inventories	(977,225)	570,348
Prepayments	55,247	72,751
Other current assets	(4,528)	27,412
Other financial assets	(5,319)	-
Other assets	-	14,266
Accounts and notes payable	(1,371,871)	707,745
Accounts payable due to related parties	12,094	6,312
Other payables	(229,022)	(429,711)
Provisions	91,006	27,444
Advance receipts	24,183	(301,410)
Other current liabilities	(156,635)	459,458
Net defined benefit liabilities	<u>(23,276)</u>	<u>(17,342)</u>
Net cash inflows generated by operating activities	28,885,681	31,383,560
Interest received	1,194	1,510
Interest paid	(601)	(6,291)
Income taxes paid	<u>(3,080,538)</u>	<u>(3,040,263)</u>
Net cash generated by operating activities	<u>25,805,736</u>	<u>28,338,516</u>

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (Retrospective Application)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	\$ (11,585,672)	\$ (13,569,058)
Acquisition of intangible assets	(4,180,118)	(829,831)
Increase in prepayments for equipment	(288,176)	(304,769)
Acquisition of investments accounted for using equity method	(670,448)	(320,273)
Acquisition of convertible notes	(596,730)	-
Net cash inflows from new consolidated entities	-	1,193,252
Net cash inflows from disposal of subsidiaries	-	14,533
Acquisition of available-for-sale financial assets	-	(4,273,724)
Proceeds from disposal of available-for-sale financial assets	1,192,504	-
Acquisition of financial assets at cost	(2,108)	(60,000)
Proceeds from capital return of financial assets at cost	2,160	45,673
Acquisition of held-to-maturity financial assets	-	(6)
Proceeds from redemption of debt investments with no active market	500,000	-
Proceeds from disposal of non-current assets held for sale	-	250,291
Proceeds from disposal of property, plant and equipment	150,937	5,856
Proceeds from disposal of intangible assets	47	-
Increase in refundable deposits	(1,222,077)	(164,135)
Decrease in refundable deposits	1,219,549	154,372
Increase in other financial assets	(2,127,122)	(2,392,255)
Decrease in other financial assets	2,259,551	447,544
Increase in other non-current assets	-	(3,706)
Interest received	115,539	93,540
Dividend received	52,621	48,142
Net cash used in investing activities	<u>(15,179,543)</u>	<u>(19,664,554)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	74,120,938	119,246,379
Decrease in short-term borrowings	(78,800,000)	(130,955,823)
Increase in short-term notes and bills payable	71,997,631	19,467,020
Decrease in short-term notes and bills payable	(66,794,184)	(16,274,202)
Proceeds from long-term borrowings	8,770,000	10,000,000
Repayment of long-term borrowings	(2,210,000)	(1,105,000)
Increase in guarantee deposits received	388,216	169,229
Decrease in guarantee deposits received	(405,335)	(214,427)
Cash dividends paid (including paid to non-controlling interests)	(15,914,229)	(15,289,071)
Proceeds from disposal of treasury shares	-	2,970,389
Disposal of ownership interests in subsidiaries (without losing control)	-	323,859
Interest paid	(704,786)	(586,873)
Increase (decrease) in non-controlling interests	(397,175)	3,512,800
Net cash used in financing activities	<u>(9,948,924)</u>	<u>(8,735,720)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS		
	<u>(1,624)</u>	<u>11,241</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>675,645</u>	<u>(50,517)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,903,777</u>	<u>7,954,294</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,579,422</u>	<u>\$ 7,903,777</u>

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

(With Deloitte & Touche audit report dated January 29, 2016)

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Taiwan Mobile Co., Ltd. (“TWM”) was incorporated in Taiwan, the Republic of China (“ROC”) on February 25, 1997. TWM’s shares were listed on the ROC Over-the-Counter Securities Exchange (formerly known as the GreTai Securities Market) on September 19, 2000. On August 26, 2002, TWM’s shares were shifted to be listed on the Taiwan Stock Exchange. TWM are mainly engaged in rendering wireless communication services, sales of mobile phones and accessories, games and e-books.

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 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 (“4G”) in October 2013. In April 2014, TWM acquired the concession license for the Mobile Broadband Spectrum in the 700 and 1800 MHz frequency band. The 4G license shall be valid from the issuance date of the license until December 2030.

The consolidated financial statements of TWM as of and for the year ended December 31, 2015, comprise TWM and its subsidiaries (collectively, the “Group”).

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements on January 29, 2016.

3. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- a. Initial application of amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations of International Financial Reporting Standards (“IFRIC”), and Interpretations of IASs (“SIC”) endorsed by the Financial Supervisory Commission (“FSC”) (collectively, “2013 IFRSs”)

In accordance with Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC, the Group adopted the 2013 IFRSs endorsed by the FSC and amended Regulations Governing the Preparation of Financial Reports by Securities Issuers to prepare the financial statements since 2015.

Except for the following description, the adoption of the 2013 IFRSs and the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers did not have any significant impacts on the Group’s consolidated financial statements.

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 (loss). 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 amended standards above, the Group summarized the effect of restatement as follows:

Effect on Assets, Liabilities and Equity	Before Retrospective Application	Adjustments Arising from Initial Application	After Retrospective Application
<u>December 31, 2014</u>			
Deferred tax assets	\$ 882,732	\$ 2,441	\$ 885,173
Net defined benefit liabilities	\$ 122,423	\$ 14,359	\$ 136,782
Retained earnings	\$ 19,817,858	\$ (11,917)	\$ 19,805,941
Non-controlling interests	\$ 6,252,898	\$ (1)	\$ 6,252,897
<u>January 1, 2014</u>			
Deferred tax assets	\$ 924,576	\$ 2,738	\$ 927,314
Net defined benefit liabilities	\$ 115,463	\$ 16,101	\$ 131,564
Retained earnings	\$ 22,171,132	\$ (13,363)	\$ 22,157,769
Effect on Comprehensive Income	Before Retrospective Application	Adjustments Arising from Initial Application	After Retrospective Application
<u>For the year ended December 31, 2014</u>			
Operating costs	\$ 75,098,238	\$ (696)	\$ 75,097,542
Operating expenses	\$ 17,925,037	\$ (399)	\$ 17,924,638
Income tax expense	\$ 3,233,643	\$ 186	\$ 3,233,829
Profit	\$ 15,553,105	\$ 909	\$ 15,554,014
Other comprehensive income (loss)			
Items that are not to be reclassified to profit or loss:			
Re-measurements from defined benefit plans	\$ (19,262)	\$ 536	\$ (18,726)
Comprehensive income	\$ 14,831,601	\$ 1,445	\$ 14,833,046

(Continued)

Effect on Comprehensive Income	Before Retrospective Application	Adjustments Arising from Initial Application	After Retrospective Application
<u>For the year ended December 31, 2014</u>			
Effect on profit attributable to:			
Owners of parent	\$ 15,005,428	\$ 909	\$ 15,006,337
Non-controlling interests	<u>547,677</u>	<u>-</u>	<u>547,677</u>
	<u>\$ 15,553,105</u>	<u>\$ 909</u>	<u>\$ 15,554,014</u>
Effect on comprehensive income attributable to:			
Owners of parent	\$ 14,271,279	\$ 1,446	\$ 14,272,725
Non-controlling interests	<u>560,322</u>	<u>(1)</u>	<u>560,321</u>
	<u>\$ 14,831,601</u>	<u>\$ 1,445</u>	<u>\$ 14,833,046</u>

Effect on Earnings Per Share	Before Retrospective Application	Adjustments Arising from Initial Application	After Retrospective Application
<u>For the year ended December 31, 2014</u>			
Basic earnings per share	<u>\$ 5.56</u>	<u>\$ -</u>	<u>\$ 5.56</u>
Diluted earnings per share	<u>\$ 5.55</u>	<u>\$ -</u>	<u>\$ 5.55</u>
			(Concluded)

2) IAS 1 “Presentation of Financial Statements”

The amendments to IAS 1 require entities to group items presented in other comprehensive income (“OCI”) based on whether they may be reclassified subsequently to profit or loss, and require tax to be allocated and disclosed separately for each of the two OCI groups on the same basis.

In 2015, the Group has retrospectively applied the above amendments, for which the items that are not to be reclassified to profit or loss include the re-measurements from defined benefit plans and the share of other comprehensive income (loss) of associates accounted for using equity method. The items that may be reclassified subsequently to profit or loss include exchange differences on translation, unrealized gains (losses) on available-for-sale financial assets, and the share of other comprehensive income (loss) of associates accounted for using equity method. The adoption of the above amendments will not impact profit, other comprehensive income (loss), and comprehensive income.

3) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 integrates all related standards on disclosures requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, and un-consolidated structured entities. For the first-time adoption of the amendments, the Group will provide a wider range of disclosure in the consolidated financial statements.

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. As the adoption will be postponed until after 2015, the Group does not expect any significant impacts on the consolidated financial condition and performance.

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following, whenever applied, the initial application of the abovementioned standards and interpretations would not have any material impact on the Group's accounting policies:

1) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes the principles that apply to report revenue arising from a contract with a customer. This standard will replace IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations.

When adopting IFRS 15, the Group recognizes revenue by the following steps:

- a) Identify the contract with the customer;
- b) Identify the performance obligations in the contract;
- c) Determine the transaction price;
- d) Allocate the transaction price to the performance obligations in the contract; and
- e) Recognize revenue when the entity satisfies a performance obligation.

IFRS 15 establishes the principles that incremental costs of obtaining a contract will be recognized as an asset to the extent the Group expects to recover those costs. Such asset will be amortized on a basis that is consistent with the transfer to the customer of the goods or services during the contract period to which the asset relates. This will lead to the later recognition of charges for certain customer-obtaining costs.

When IFRS 15 becomes effective, the Group may elect to apply this standard either retrospectively to each period presented or to recognize the accumulated adjustment at the date of initial application.

2) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within financing activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

Except for the above potential impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and 2013 IFRSs endorsed by the FSC of ROC.

Basis of Preparation

a. Basis of measurement

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

b. Functional and presentation currency

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

Basis of Consolidation

a. Principles of preparation of consolidated financial statements

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

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

The consolidated statements of comprehensive income include the results of a disposed subsidiary up to the date of disposal.

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

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

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

b. The subsidiaries included in the consolidated financial statements were as follows:

Investor	Subsidiary	Main Business and Products	Percentage of Ownership		Note
			2015	2014	
TWM	Wealth Media Technology Co., Ltd. (WMT)	Investment	100.00	100.00	-
WMT	momo.com Inc. (momo)	Wholesale and retail sales	45.01	44.38	Note 1
momo	Fu Sheng Travel Service Co., Ltd (FST)	Travel agent	100.00	100.00	-
momo	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.00	100.00	-
momo	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.00	100.00	-
momo	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	76.26	76.26	-
Asian Crown	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.00	100.00	-
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.00	100.00	-
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	91.30	91.30	-
momo	Honest Development Co, Ltd. (Honest Development)	Investment	100.00	-	Note 2
Honest Development	Hongkong Yue Numerous Investment Co., Ltd. (HK Yue Numerous)	Investment	100.00	-	Note 2
HK Yue Numerous	Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo)	Investment	100.00	-	Note 2
WMT	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00	100.00	-
GWMT	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV service provider	6.83	6.83	-
WMT	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00	100.00	-
GFMT	Union Cable TV Co., Ltd. (UCTV)	Cable TV service provider	0.76	0.76	-
WMT	Win TV Broadcasting Co., Ltd. (WTVB)	TV program provider	100.00	100.00	-
WMT	TFN Media Co., Ltd. (TFNM)	Cable broadband and value-added services provider	100.00	100.00	-
TFNM	UCTV	Cable TV service provider	99.22	99.22	-
TFNM	Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Cable TV service provider	100.00	100.00	-
TFNM	Mangrove Cable TV Co., Ltd. (MCTV)	Cable TV service provider	29.53	29.53	Note 3
TFNM	Phoenix Cable TV Co., Ltd. (PCTV)	Cable TV service provider	100.00	100.00	-
TFNM	GCTV	Cable TV service provider	92.38	92.38	-
TFNM	Taiwan Kuro Times Co., Ltd. (TKT)	Online music service	100.00	100.00	-
TWM	Taiwan Cellular Co., Ltd. (TCC)	Investment	100.00	100.00	-
TCC	TCC Investment Co., Ltd. (TCCI)	Investment	100.00	100.00	Note 4
TCCI	TCCI Investment & Development Co., Ltd. (TID)	Investment	100.00	100.00	Note 4
TCC	Taiwan Fixed Network Co., Ltd. (TFN)	Fixed-line service provider	100.00	100.00	-

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Ownership		Note
			2015	2014	
TFN	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00	100.00	Note 4
TFN	TFN HK Ltd.	Telecommunication service provider	100.00	100.00	-
TCC	Taiwan Digital Communications Co., Ltd. (TDC)	Mobile phone wholesaling and TV program production	100.00	100.00	-
TCC	TWM Holding Co., Ltd. (TWM Holding)	Investment	100.00	100.00	-
TWM Holding	TWM Communications (Beijing) Co., Ltd. (TWMC)	Mobile application development and design	100.00	100.00	-
TCC	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service and telephone marketing	100.00	100.00	-
TT&T	Taiwan Mobile Basketball Co., Ltd. (TMB)	Basketball team management	-	-	Note 5
TT&T	TT&T Holdings Co., Ltd. (TT&T Holdings)	Investment	100.00	100.00	-
TCC	Taiwan Digital Service Co., Ltd. (TDS)	Commissioned maintenance service	100.00	100.00	-
TWM	Taipei New Horizon Co., Ltd. (TNH)	Building and operating Songshan Cultural and Creative Park BOT project	49.90	49.90	-

(Concluded)

Note 1: WMT increased the percentage of ownership interests in momo due to momo's buy-back of treasury shares from October to December in 2015.

Note 2: In June 2015, momo established Honest Development to purchase HK Yue Numerous and its subsidiary, Haobo, through portfolio investment, and indirectly acquired the associate Beijing Global Guoguang Media Technology Co., Ltd., through Haobo.

Note 3: The other 70.47% of shares were held under trustee accounts.

Note 4: TCCI, TID and TUI collectively owned 698,752 thousand shares of TWM representing 20.42% of total outstanding shares as of December 31, 2015.

Note 5: TMB was sold in September 2014.

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

Foreign Currency

Foreign currency transactions are recorded at the spot exchange rate on the date of the transaction. At the end of the reporting period, foreign currency monetary items 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 of 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 (loss), any foreign exchange component of that gain or loss is also recognized in other comprehensive income (loss).

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

Classification of Current and Non-current Assets and Liabilities

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

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

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

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

Cash and Cash Equivalents

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

Financial Instruments

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

- a. Financial assets

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

1) Financial assets at fair value through profit or loss

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

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

2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus any directly attributable transaction cost, 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 (loss) 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.

3) Loans and receivables

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

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

4) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

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 (loss), 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.

For financial assets at amortized cost, 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.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

Receivables are assessed as to whether any impairment has occurred at the end of each reporting period. A 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 receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined that a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of the receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

5) Derecognition of financial assets

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

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

b. Financial liabilities

1) Recognition

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

2) Derecognition of financial liabilities

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

c. Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

Inventories

Inventories are measured at the lower of cost or net realizable value. Inventories are assessed item by item, except those with similar characteristics which are assessed collectively. 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 the calculation of cost.

Non-current Assets Held for Sale and Discontinued Operations

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

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

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

Investment in Associates

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

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

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

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

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

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

Property, Plant and Equipment

a. Recognition and measurement

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

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

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

b. Reclassification to investment property

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

c. Subsequent cost

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

d. Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and the net amount shall be allocated by the straight-line 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 or its useful life.

Operation utensils are measured at the cost of the acquired assets when acquisition occurs. Some of the operation utensils are depreciated over the useful life, and others are recognized as expenses when breakage occurs.

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, see Note 15 to the consolidated financial statements for details.

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

Investment Property

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

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

Leases

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

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

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

Intangible Assets

a. Goodwill

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

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

b. Service concession agreement

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

c. Other intangible assets

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

d. Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date that they are available for use. For the estimated useful lives for the current and comparative periods, see Note 17 to the consolidated financial statements for details.

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

Impairment of Non-financial Assets

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

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

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

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

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

Provisions

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

a. Restoration

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

b. Decommissioning

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

c. Warranties

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

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. TWMM's shares held by its subsidiaries are regarded as 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 by the purpose of repurchased shares.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Employee Benefits

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

The defined benefit costs (including service cost, net interest, and re-measurement) of defined benefit plan use the projected unit credit method for the actuarial valuation. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized under employee benefit expense as they occur. Re-measurement (including actuarial gains and losses, changes in the effect of the asset ceiling, and the return on plan assets, excluding amounts included in net interest) is recognized in other comprehensive income (loss) in retained earnings as it occurs, and is not reclassifiable to profit or loss subsequently.

Net defined benefit liability (asset) is the deficit (surplus) of defined benefit plans. IAS 19 requires the Group to limit the carrying amount of a net defined benefit asset so that it does not exceed the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Except for expenses related to business combinations, expenses directly recognized in equity or other comprehensive income (loss), 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 at the end of the reporting period 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 in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. The measurement reflects the entity's expectations at the end of the reporting period as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated at the end of each reporting period, 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 expense recognized in equity balances or other comprehensive income (loss) shall be measured at the tax rates that are expected to apply in 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 at the end of the reporting period.

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 by using the relative fair value method, and the total price of the contract is allocated to each component of revenue based on the relative fair values.

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

- b. Sales of goods

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

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

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

- c. Proceeds from games services are recognized as advance receipts upon receiving deposits from customers and are recognized as revenue over the service periods or upon the consumption of deposits.
- d. 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.

- e. Commissions

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

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

- f. Revenue from room service and restaurants is recognized when the service is provided.
- g. Dividend and interest income

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

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

Business Combination

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in conformity with 2013 IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

In the process of impairment assessment, the Group relies on subjective judgment to determine the individual cash flows of a specific group of assets and estimates 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.

- b. Impairment assessment of goodwill

The usage 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.

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.

d. Income tax

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

e. Useful lives of property, plant and equipment

See Note 15 to the consolidated financial statements for details. The Group reviews the estimated useful lives of property, plant and equipment periodically.

f. Impairment assessment of accounts receivable

If there is any objective evidence of impairment, the Group will take into account 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.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	2014
Government bonds with repurchase rights and short-term notes and bills	\$ 2,975,188	\$ 3,780,870
Time deposits	2,630,693	1,777,771
Cash in banks	2,893,599	2,214,593
Cash on hand and revolving funds	<u>79,942</u>	<u>130,543</u>
	<u>\$ 8,579,422</u>	<u>\$ 7,903,777</u>

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2015	2014
Domestic listed stock	\$ 215,395	\$ 204,310
Domestic emerging stock	937,307	893,103
Domestic unlisted stock	1,727,171	2,587,050
Beneficiary certificates	734,991	2,009,447
Foreign unlisted stock	<u>77,746</u>	<u>-</u>
	<u>\$ 3,692,610</u>	<u>\$ 5,693,910</u>

(Continued)

	December 31	
	2015	2014
Current	\$ 1,028,132	\$ 2,213,757
Non-current	<u>2,664,478</u>	<u>3,480,153</u>
	<u>\$ 3,692,610</u>	<u>\$ 5,693,910</u>

(Concluded)

8. FINANCIAL ASSETS AT COST

	December 31	
	2015	2014
<u>Non-current</u>		
Domestic unlisted stock	\$ 183,442	\$ 185,602
Foreign unlisted stock	<u>9,258</u>	<u>7,050</u>
	<u>\$ 192,700</u>	<u>\$ 192,652</u>

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

For the years ended December 31, 2015 and 2014, there was no impairment loss recognized for the financial assets recorded at cost.

9. ACCOUNTS AND NOTES RECEIVABLE, NET

	December 31	
	2015	2014
Notes receivable	<u>\$ 308,939</u>	<u>\$ 110,093</u>
Accounts receivable	15,648,559	15,157,962
Less: Allowance for doubtful accounts	<u>(317,378)</u>	<u>(277,815)</u>
Accounts receivable, net	<u>15,331,181</u>	<u>14,880,147</u>
	<u>\$ 15,640,120</u>	<u>\$ 14,990,240</u>

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

	December 31	
	2015	2014
Neither past due nor impaired	\$ 15,022,116	\$ 14,417,430
Past due but not impaired		
Past due within 180 days	304,574	462,436
Past due over 180 days	<u>4,491</u>	<u>281</u>
	<u>\$ 15,331,181</u>	<u>\$ 14,880,147</u>

Movements of allowance for doubtful receivables by individual and collective assessment for the years ended December 31, 2015 and 2014 were as follows:

	For the Year Ended December 31	
	2015	2014
Beginning balance	\$ 277,815	\$ 288,620
Add: Provision	421,344	345,198
Reversal	70,823	112,704
Less: Write-off	<u>(452,604)</u>	<u>(468,707)</u>
Ending balance	<u>\$ 317,378</u>	<u>\$ 277,815</u>

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

Counterparty	Amount of Accounts Receivable Sold	Proceeds of the Sale of Accounts Receivable
<u>January 2015</u>		
Long Sun Asset Management Co., Ltd.	<u>\$ 626,514</u>	<u>\$ 31,025</u>
<u>January 2014</u>		
Long Sun Asset Management Co., Ltd.	<u>\$ 991,966</u>	<u>\$ 42,699</u>

10. INVENTORIES

	December 31	
	2015	2014
Merchandise	\$ 4,122,447	\$ 3,131,412
Materials for maintenance	63,652	78,214
Catering inventories	<u>2,114</u>	<u>1,362</u>
	<u>\$ 4,188,213</u>	<u>\$ 3,210,988</u>

For the years ended December 31, 2015 and 2014, the cost of goods sold recognized in consolidated comprehensive income amounted to \$46,080,547 thousand and \$42,614,868 thousand, respectively, which included the inventory recovery based on net realizable value amounting to \$73,765 thousand and inventory write downs amounting to \$29,019 thousand, respectively.

11. NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

a. Non-current assets held for sale

- 1) In November 2013, TFN decided to dispose of a piece of land and sold it to Chii Lih Development Enterprise Co., Ltd. The land was recorded as assets held for sale with an amount totaling \$50,275 thousand at the end of 2013, and the transfer of the ownership, which was completed on January 28, 2014, resulted in a gain of \$158,568 thousand.

2) In March 2014, the board of directors of momo resolved to sell the traditional retail business to We Can Medicines Co., Ltd. At the end of March 2014, the total value of machinery and equipment, storage equipment, and telecommunication equipment held for sale was \$46,310 thousand, and a total impairment loss of \$17,794 thousand was recognized through measurement at the lower of carrying amount and fair value less costs to sell. The above equipment was disposed of in June 2014, which resulted in a loss of \$4,862 thousand and was recorded in loss from discontinued operations in the consolidated statement of comprehensive income.

b. Disclosure of profit and loss, and cash flows from discontinued operations

	For the Year Ended December 31, 2014
Profit and loss from discontinued operations:	
Operating revenues	\$ 172,273
Operating costs	<u>138,848</u>
Gross profit	33,425
Operating expenses	102,382
Net other income and expenses	<u>(1,727)</u>
Loss from discontinued operations before tax	(70,684)
Non-operating income and expenses	
Loss on disposal of property, plant, and equipment, net	(2,148)
Interest income	39
Others	1,086
Income tax benefit	<u>12,183</u>
Loss from discontinued operations after tax	<u>(59,524)</u>
Gain (loss) on disposal of the assets from discontinued operations	
Loss recognized on measurement of fair value less costs to sell of the assets from discontinued operations before tax	(17,794)
Loss recognized on the disposal of the assets from discontinued operations before tax	(4,862)
Income tax benefit	<u>3,851</u>
Loss recognized on measurement of fair value less costs to sell of the assets disposed of from discontinued operations after tax	<u>(18,805)</u>
Loss from discontinued operations after tax	<u>\$ (78,329)</u>
Cash flows from (used in) discontinued operations:	
Net cash from operating activities	\$ 78,566
Net cash from investing activities	59,740
Net cash from financing activities	<u>(9,684)</u>
Net increase in cash	<u>\$ 128,622</u>

c. Profit (loss) from discontinued operations attributable to owners of parent: See Note 29 to the consolidated financial statements for details.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Associates that are not individually material accounted for using equity method were as follows:

Investee Company	December 31			
	2015		2014	
	Amount	% of Ownership	Amount	% of Ownership
Beijing Global Guoguang Media Technology Co., Ltd. (GHS)	\$ 713,691	18.00	\$ -	-
Taiwan Pelican Express Co., Ltd. (TPE)	415,597	17.70	455,426	17.70
Kbro Media Co., Ltd. (Kbro Media)	277,574	32.50	267,878	32.50
TVD Shopping Co., Ltd. (TVD shopping)	161,491	35.00	150,803	35.00
Alliance Digital Tech Co., Ltd. (ADT)	<u>16,009</u>	13.33	<u>23,139</u>	13.33
	<u>\$ 1,584,362</u>		<u>\$ 897,246</u>	

Aggregate information of associates that are not individually material:

	December 31	
	2015	2014
The Group's share of:		
Profit (loss)	\$ 67,562	\$ (4,639)
Other comprehensive income (loss)	<u>(37,787)</u>	<u>47,120</u>
Comprehensive income	<u>\$ 29,775</u>	<u>\$ 42,481</u>

a. GHS

In June 2015, momo's subsidiary acquired 20% equity interests of GHS for \$670,448 thousand and obtained the purchase price allocation report in December 2015. The excess of the purchase price over the fair value of the acquired net assets includes \$657,332 thousand and \$79,617 thousand, respectively, for goodwill and customer relationship, whereas customer relationship is amortized over nine and a half years. The differences from the result of the preliminary analysis were a decrease of \$5,441 thousand in goodwill and an increase of \$6,618 thousand in customer relationship.

Due to non-participation in GHS's capital increase in October 2015, momo subsidiary's percentage of ownership interests in GHS decreased to 18%. However, momo still has significant influence on GHS due to its having seats in GHS's board of directors.

b. TPE

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

As of December 2013, momo held 17.70% of TPE due to not subscribing for new shares issued by TPE and selling part of its shares when TPE went public. momo still has significant influence on TPE due to its having two seats on TPE's board of directors.

c. TVD Shopping

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

d. ADT

In November 2013, TWM acquired 19.23% of ADT.

In 2014, TWM's percentage of ownership interests in ADT decreased to 13.33% due to not subscribing for new shares issued by ADT. TWM still has significant influence on ADT due to having one seat on ADT's board of directors.

13. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Subsidiary	Proportion of Non-controlling Interests' Ownership and Voting Rights	
	December 31	
	2015	2014
momo	54.99%	55.62%

For information on the principal place of business and the company's country of registration, see Table 7 to the consolidated financial statements for details.

momo and its subsidiaries' summary financial information has taken into account the adjustment to acquisition-date fair value, and reflects the amounts before elimination of intercompany transactions:

	December 31	
	2015	2014
Current assets	\$ 5,940,774	\$ 6,792,676
Non-current assets	11,140,732	10,716,690
Current liabilities	(3,683,020)	(3,385,989)
Non-current liabilities	<u>(267,878)</u>	<u>(253,661)</u>
Equity	<u>\$ 13,130,608</u>	<u>\$ 13,869,716</u>
Equity attributable to:		
Owners of parent	\$ 9,090,251	\$ 9,352,414
Non-controlling interests of momo	4,025,330	4,433,431
Non-controlling interests of momo's subsidiaries	<u>15,027</u>	<u>83,871</u>
	<u>\$ 13,130,608</u>	<u>\$ 13,869,716</u>
	For the Year Ended December 31	
	2015	2014
Operating revenues	<u>\$ 25,639,898</u>	<u>\$ 23,897,005</u>
Profit	\$ 992,290	\$ 1,131,959
Other comprehensive income (loss)	<u>(154,807)</u>	<u>21,447</u>
Comprehensive income	<u>\$ 837,483</u>	<u>\$ 1,153,406</u>
Profit attributable to:		
Owners of parent	\$ 471,100	\$ 578,303
Non-controlling interests of momo	588,882	590,833
Non-controlling interests of momo's subsidiaries	<u>(67,692)</u>	<u>(37,177)</u>
	<u>\$ 992,290</u>	<u>\$ 1,131,959</u>

(Continued)

	For the Year Ended December 31	
	2015	2014
Comprehensive income attributable to:		
Owners of parent	\$ 402,578	\$ 587,086
Non-controlling interests of momo	503,749	600,890
Non-controlling interests of momo's subsidiaries	<u>(68,844)</u>	<u>(34,570)</u>
	<u>\$ 837,483</u>	<u>\$ 1,153,406</u>
Net cash from operating activities	\$ 1,130,175	\$ 1,787,455
Net cash from investing activities	1,565,304	(5,078,139)
Net cash from financing activities	(1,525,290)	2,925,102
Effect of exchange rate changes	<u>(318)</u>	<u>7,469</u>
Net increase (decrease) in cash	<u>\$ 1,169,871</u>	<u>\$ (358,113)</u>
Dividend paid to non-controlling interests	<u>\$ (670,016)</u>	<u>\$ (224,068)</u>
		(Concluded)

14. SUBSIDIARIES AND NON-CONTROLLING INTERESTS

a. Acquisition of subsidiaries

TWM obtained control of TNH due to the change in the members on the board of directors of TNH through the election held on February 21, 2014. TWM's percentage of ownership interests in TNH remained at 49.9%. TNH mainly engages in building and operating Songshan Cultural and Creative Park BOT (Build-Operate-Transfer) Project.

1) Assets acquired and liabilities assumed

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

The Group's percentage of ownership interests in 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 re-measurements were insignificant.

2) Operating influences of combination

The Group's share of operating revenue and net loss of TNH was \$238,023 thousand and \$13,229 thousand, respectively, for the period from February 21 to December 31, 2014. If the business combination had occurred at the beginning of the fiscal year, the pro forma operating revenue and net loss in the Group's consolidated statement of comprehensive income would have been \$274,198 thousand and \$32,425 thousand, respectively, for the year ended December 31, 2014. The pro forma revenue and net loss could not be regarded as the actual operating outcome on the basis that the business combination occurred at the beginning of the year and the revenue and net loss should not be projected into the future.

b. Disposal of subsidiaries

In September 2014, TT&T disposed of all of its ownership in TMB to Fubon Financial Holding Venture Co., Ltd. which caused a disposal loss of \$168 thousand and the loss of control over TMB. Net cash inflows from the disposal of TMB were as follows:

Cash consideration received	\$ 21,360
Less: Cash and cash equivalent of TMB	<u>6,827</u>
Net cash inflow	<u>\$ 14,533</u>

c. Transactions with non-controlling interests

WMT increased the percentage of ownership interests in momo from 44.38% to 45.01% due to momo's buy-back of treasury shares from October to December in 2015. The transaction was as follows:

Consideration paid in cash	\$ (397,175)
Transferring amount of non-controlling interests resulted from the calculation of relative equity changes	255,874
Other adjustments	<u>644</u>
Capital surplus - changes in equity of subsidiaries	<u>\$ (140,657)</u>

Due to WMT's disposal of part of its ownership interests in momo in February and December 2014 and non-proportional investment in momo's capital increase, the percentage of ownership interests in momo decreased from 50.64% to 44.38%. The transaction was summarized as follows:

Cash consideration received	\$ 323,859
Transferring amount of non-controlling interests resulted from the calculation of relative equity changes	(229,995)
Other adjustments	<u>(7,899)</u>
Capital surplus - difference between consideration and carrying amount of subsidiaries' shares disposed of	<u>\$ 85,965</u>
Proceeds from capital injection	\$ 3,262,970
Transferring amount of non-controlling interests resulted from the calculation of relative equity changes	(2,688,317)
Other adjustments	<u>2,219</u>
Capital surplus - changes in equity of subsidiaries	<u>\$ 576,872</u>

Due to non-proportional investment in FGE's increase in capital in 2014 (Tong-An Investment Co., Ltd., TPE, Kuo Chi Investment Corp., and Fubon Financial Holding Venture Co., Ltd. participated in the capital increase), momo's percentage of ownership interests in Asian Crown decreased, and due to HK Fubon Multimedia's non-proportional investment in FGE, its percentage of ownership interests in FGE increased. The transaction was as follows:

Proceeds from capital injection	\$ 249,830
Transferring amount of non-controlling interests resulted from the calculation of relative equity changes	<u>(175,796)</u>
Capital surplus - changes in equity of subsidiaries	<u>\$ 74,034</u>

As the aforementioned transactions did not result in any change of the Group's control over subsidiaries, they were accounted for as equity transactions.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Telecommuni- cation Equipment and Machinery	Miscellaneous Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>						
Balance, January 1, 2015	\$ 10,366,685	\$ 4,947,700	\$ 78,863,132	\$ 6,979,293	\$ 3,985,597	\$ 105,142,407
Additions	-	-	331,689	386,922	10,511,962	11,230,573
Reclassification	16,316	9,034	11,243,747	417,198	(11,673,104)	13,191
Disposals and retirements	(76,221)	(51,097)	(3,485,863)	(348,799)	(3,020)	(3,965,000)
Effect of exchange rate changes	-	-	(4,565)	(1,033)	-	(5,598)
Balance, December 31, 2015	<u>\$ 10,306,780</u>	<u>\$ 4,905,637</u>	<u>\$ 86,948,140</u>	<u>\$ 7,433,581</u>	<u>\$ 2,821,435</u>	<u>\$ 112,415,573</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2015	\$ 83,426	\$ 1,398,811	\$ 51,830,986	\$ 4,762,865	\$ -	\$ 58,076,088
Depreciation	-	143,531	9,427,459	1,002,164	-	10,573,154
Reclassification	-	4,325	-	-	-	4,325
Disposals and retirements	-	(17,577)	(3,152,202)	(312,199)	-	(3,481,978)
Effect of exchange rate changes	-	-	(2,510)	(627)	-	(3,137)
Balance, December 31, 2015	<u>\$ 83,426</u>	<u>\$ 1,529,090</u>	<u>\$ 58,103,733</u>	<u>\$ 5,452,203</u>	<u>\$ -</u>	<u>\$ 65,168,452</u>
Carrying amount, December 31, 2015	<u>\$ 10,223,354</u>	<u>\$ 3,376,547</u>	<u>\$ 28,844,407</u>	<u>\$ 1,981,378</u>	<u>\$ 2,821,435</u>	<u>\$ 47,247,121</u>
<u>Cost</u>						
Balance, January 1, 2014	\$ 8,675,595	\$ 4,961,737	\$ 73,940,408	\$ 6,049,561	\$ 3,162,832	\$ 96,790,133
Additions	1,717,927	2,061	282,376	408,312	12,465,544	14,876,220
Acquisition from combination	-	-	-	10,232	-	10,232
Reclassification	(26,837)	(16,098)	10,814,268	677,283	(11,635,447)	(186,831)
Disposals and retirements	-	-	(6,180,508)	(167,523)	(7,332)	(6,355,363)
Effect of deconsolidation of subsidiaries	-	-	-	(1,463)	-	(1,463)
Effect of exchange rate changes	-	-	6,588	2,891	-	9,479
Balance, December 31, 2014	<u>\$ 10,366,685</u>	<u>\$ 4,947,700</u>	<u>\$ 78,863,132</u>	<u>\$ 6,979,293</u>	<u>\$ 3,985,597</u>	<u>\$ 105,142,407</u>

(Continued)

	Land	Buildings	Telecommuni- cation Equipment and Machinery	Miscellaneous Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2014	\$ 83,426	\$ 1,260,526	\$ 48,470,898	\$ 3,989,482	\$ -	\$ 53,804,332
Depreciation	-	144,045	8,659,533	914,638	-	9,718,216
Acquisition from combination	-	-	-	835	-	835
Reclassification	-	(5,760)	(80,647)	15,095	-	(71,312)
Disposals and retirements	-	-	(5,222,019)	(157,794)	-	(5,379,813)
Effect of deconsolidation of subsidiaries	-	-	-	(1,257)	-	(1,257)
Effect of exchange rate changes	-	-	3,221	1,866	-	5,087
Balance, December 31, 2014	<u>\$ 83,426</u>	<u>\$ 1,398,811</u>	<u>\$ 51,830,986</u>	<u>\$ 4,762,865</u>	<u>\$ -</u>	<u>\$ 58,076,088</u>
Carrying amount, December 31, 2014	<u>\$ 10,283,259</u>	<u>\$ 3,548,889</u>	<u>\$ 27,032,146</u>	<u>\$ 2,216,428</u>	<u>\$ 3,985,597</u>	<u>\$ 47,066,319</u> (Concluded)

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

Buildings	
Primary buildings	20-55 years
Mechanical and electrical equipment	15 years
Telecommunication equipment and machinery	2-20 years
Miscellaneous equipment	2-20 years

- b. The non-cash investing activities of the Group for the years ended December 31, 2015 and 2014 were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Acquisition of property, plant and equipment	\$ 11,230,573	\$ 14,876,220
Non-cash investing activities		
Changes in other payables	417,039	(1,215,324)
Changes in provisions	<u>(61,940)</u>	<u>(91,838)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 11,585,672</u>	<u>\$ 13,569,058</u>

16. INVESTMENT PROPERTIES

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Cost	\$ 374,022	\$ 399,370
Accumulated depreciation	<u>43,857</u>	<u>45,162</u>
Carrying amount	<u>\$ 330,165</u>	<u>\$ 354,208</u>
Fair value	<u>\$ 834,950</u>	<u>\$ 1,113,847</u>
Capitalization rate	0.8%-5.34%	1.06%-4.20%

Properties were reclassified from property, plant and equipment to investment property since the properties were no longer used by the Group and it was decided to put such properties for lease.

Fair value of an investment property was measured by Level 3 inputs, using the income approach, comparative approach, and cost approach by HomeBan Appraisers Joint Firm.

17. INTANGIBLE ASSETS

The cost, amortization, and impairment of intangible assets of the Group for the years ended December 31, 2015 and 2014, were as follows:

	Concessions		Goodwill	Other Intangible Assets					Total
	Concession License	Service Concession		Computer Software	Customer Relationship	Operating Rights	Trademarks	Others	
Cost									
Balance, January 1, 2015	\$ 39,291,000	\$ 7,914,775	\$ 15,845,930	\$ 2,484,186	\$ 2,849,197	\$ 1,382,000	\$ 2,517,866	\$ 5,217	\$ 72,290,171
Addition	3,433,375	334,961	-	165,801	-	-	-	-	3,934,137
Disposals and retirements	-	-	-	(9,239)	(195,108)	-	-	(5,147)	(209,494)
Adjustment and reclassification	-	(69,039)	-	308,341	-	-	-	-	239,302
Effect of exchange rate changes	-	-	-	(590)	-	-	-	(70)	(660)
Balance, December 31, 2015	<u>\$ 42,724,375</u>	<u>\$ 8,180,697</u>	<u>\$ 15,845,930</u>	<u>\$ 2,948,499</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,866</u>	<u>\$ -</u>	<u>\$ 76,253,456</u>
Accumulated amortization and impairment									
Balance, January 1, 2015	\$ 7,785,003	\$ 317,480	\$ -	\$ 1,852,678	\$ 1,160,171	\$ -	\$ 778	\$ 5,217	\$ 11,121,327
Amortization	2,179,547	177,701	-	445,772	136,400	-	199	-	2,939,619
Disposals and retirements	-	-	-	(9,239)	(195,108)	-	-	(5,147)	(209,494)
Effect of exchange rate changes	-	-	-	(350)	-	-	-	(70)	(420)
Balance, December 31, 2015	<u>\$ 9,964,550</u>	<u>\$ 495,181</u>	<u>\$ -</u>	<u>\$ 2,288,861</u>	<u>\$ 1,101,463</u>	<u>\$ -</u>	<u>\$ 977</u>	<u>\$ -</u>	<u>\$ 13,851,032</u>
Carrying amount, December 31, 2015	<u>\$ 32,759,825</u>	<u>\$ 7,685,516</u>	<u>\$ 15,845,930</u>	<u>\$ 659,638</u>	<u>\$ 1,552,626</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,889</u>	<u>\$ -</u>	<u>\$ 62,402,424</u>
Cost									
Balance, January 1, 2014	\$ 39,291,000	\$ -	\$ 15,845,930	\$ 2,020,208	\$ 2,849,197	\$ 1,382,000	\$ 2,517,860	\$ 5,107	\$ 63,911,302
Addition	-	419,832	-	147,170	-	-	6	-	567,008
Acquisition from combination	-	7,639,062	-	-	-	-	-	-	7,639,062
Disposals and retirements	-	-	-	(3,357)	-	-	-	-	(3,357)
Adjustment and reclassification	-	(144,119)	-	319,334	-	-	-	-	175,215
Effect of exchange rate changes	-	-	-	831	-	-	-	110	941
Balance, December 31, 2014	<u>\$ 39,291,000</u>	<u>\$ 7,914,775</u>	<u>\$ 15,845,930</u>	<u>\$ 2,484,186</u>	<u>\$ 2,849,197</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,866</u>	<u>\$ 5,217</u>	<u>\$ 72,290,171</u>
Amortization and impairment									
Balance, January 1, 2014	\$ 6,542,455	\$ -	\$ -	\$ 1,502,406	\$ 1,023,771	\$ -	\$ 579	\$ 4,820	\$ 9,074,031
Amortization	1,242,548	138,833	-	353,162	136,400	-	199	287	1,871,429
Acquisition from combination	-	178,647	-	-	-	-	-	-	178,647
Disposals and retirements	-	-	-	(3,357)	-	-	-	-	(3,357)
Effect of exchange rate changes	-	-	-	467	-	-	-	110	577
Balance, December 31, 2014	<u>\$ 7,785,003</u>	<u>\$ 317,480</u>	<u>\$ -</u>	<u>\$ 1,852,678</u>	<u>\$ 1,160,171</u>	<u>\$ -</u>	<u>\$ 778</u>	<u>\$ 5,217</u>	<u>\$ 11,121,327</u>
Carrying amount, December 31, 2014	<u>\$ 31,505,997</u>	<u>\$ 7,597,295</u>	<u>\$ 15,845,930</u>	<u>\$ 631,508</u>	<u>\$ 1,689,026</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,088</u>	<u>\$ -</u>	<u>\$ 61,168,844</u>

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

Concession license	14-17 years
Service concession	44-50 years
Computer software	2-10 years
Customer relationship	20 years
Trademarks	10 years

a. Service concession

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

b. Customer relationship, trademarks, and operating rights

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

- 1) On April 17, 2007, TFN, one of TWM's wholly-owned subsidiaries, acquired more than 50% of the former Taiwan Fixed Network Co., Ltd. (the former TFN) through a public tender offer. TWM divided the former TFN and its subsidiaries into two cash-generating units, i.e.: Fixed network service and cable television business. Accordingly, customer relationship and operating rights are identified as major intangible assets.
- 2) On September 1, 2010, TFNM, one of TWM's wholly-owned subsidiaries, acquired 55% of TKT. On August 12, 2011, TFNM acquired 45% of TKT. TWM measured the fair value of the acquired net assets and viewed TKT's wireless services as one cash-generating unit. Accordingly, trademarks and customer relationship are identified as major intangible assets.
- 3) On July 13, 2011, WMT, one of TWM's wholly-owned subsidiaries, acquired more than 50% of momo. TWM measured the fair value of the acquired assets and viewed momo's retail business as one cash-generating unit. Accordingly, trademarks are identified as major intangible assets.

c. Goodwill

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

	December 31	
	2015	2014
Mobile communication service	\$ 7,238,758	\$ 7,238,758
Fixed network service	357,970	357,970
Cable television business	3,269,636	3,269,636
Retail business	<u>4,979,566</u>	<u>4,979,566</u>
	<u>\$ 15,845,930</u>	<u>\$ 15,845,930</u>

d. Impairment of assets

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

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

1) Mobile communication service

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.

d) Assumptions on discount rate

For the years ended December 31, 2015 and 2014, the discount rate used to calculate the asset recoverable amounts of TWM was 5.93% and 5.56%, respectively.

2) Fixed network service

a) Assumptions on cash flows

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

b) Assumptions on operating revenues

After taking into consideration the changes and growth of business in the telecom industry, the operating revenues were estimated based on the types of data transmission and the demand for the broadband capacity.

c) Assumptions on operating costs and expenses

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

d) Assumptions on discount rate

For the years ended December 31, 2015 and 2014, the discount rates were 6.72% and 6.17%, respectively, in calculating the asset recoverable amounts of TFN.

3) Cable television business

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

c) Assumptions on operating costs and expenses

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

d) Assumptions on discount rate

The discount rates used to calculate the asset recoverable amounts for each system operator ranged from 3.47% to 4.53% and from 5.28% to 5.93% for the years ended December 31, 2015 and 2014, respectively.

4) Retail business

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

c) Assumptions on operating costs and expenses

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

d) Assumptions on discount rate

For the years ended December 31, 2015 and 2014, the discount rates in calculating the asset recoverable amounts were 12.46% and 15.55%, respectively.

Based on the key assumptions of each cash-generating unit, the Group's management believes that the carrying amounts of these operating assets and intangible assets will not exceed their recoverable amounts even if there are any reasonable changes in the critical assumptions used to estimate recoverable amounts. Thus, there was no impairment of intangible assets for the years ended December 31, 2015 and 2014.

18. OTHER NON-CURRENT ASSETS

	December 31	
	2015	2014
Long-term accounts receivable	\$ 4,912,506	\$ 4,717,815
Refundable deposits	581,237	579,457
Prepayments for equipment	68,843	78,501
Others	<u>504,516</u>	<u>513,047</u>
	<u>\$ 6,067,102</u>	<u>\$ 5,888,820</u>

19. SHORT-TERM BORROWINGS AND SHORT-TERM NOTES AND BILLS PAYABLE

a. Short-term borrowings

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Unsecured loans	\$ 14,220,938	\$ 18,900,000
Annual interest rate	0.82%-4.57%	0.83%-1.08%

b. Short-term notes and bills payable

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Short-term notes and bills payable	\$ 10,800,000	\$ 5,600,000
Less: Discount on short-term notes and bills payable	<u>(6,513)</u>	<u>(6,969)</u>
	<u>\$ 10,793,487</u>	<u>\$ 5,593,031</u>
Annual interest rate	0.642%-0.95%	0.868%-0.915%

For the information on commitments, see Note 36 to the consolidated financial statements for details.

20. ADVANCE RECEIPTS

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Advance receipts from customers	\$ 2,102,973	\$ 2,100,001
Deferred customer loyalty revenues	63,708	58,172
Others	<u>122,114</u>	<u>106,439</u>
	<u>\$ 2,288,795</u>	<u>\$ 2,264,612</u>

21. BONDS PAYABLE

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
3rd domestic unsecured bonds	\$ 8,997,447	\$ 8,996,692
4th domestic unsecured bonds	<u>5,798,491</u>	<u>5,797,601</u>
	<u>\$ 14,795,938</u>	<u>\$ 14,794,293</u>

a. 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, 2015, the amount of unamortized bond issue cost was \$2,553 thousand.

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

Year	Amount
2018	\$ 4,500,000
2019	<u>4,500,000</u>
	<u>\$ 9,000,000</u>

b. 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 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, 2015, the amount of unamortized bond issue cost was \$1,509 thousand.

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

Year	Amount
2017	\$ 2,900,000
2018	<u>2,900,000</u>
	<u>\$ 5,800,000</u>

22. LONG-TERM BORROWINGS

	December 31	
	2015	2014
Unsecured loans	\$ 18,770,000	\$ 12,000,000
Secured loans	3,180,363	3,390,544
Less: Current portion	<u>(10,267,891)</u>	<u>(2,208,218)</u>
	<u>\$ 11,682,472</u>	<u>\$ 13,182,326</u>
Annual interest rate:		
Unsecured loans	1.07%-2.1406%	1.05%-1.095%
Secured loans	2.1789%	2.2526%

a. Unsecured loans

The Group entered into credit facility agreements with a group of banks for mid-term requirements of operating capital. The facilities last from 2 to 7 years from the date of drawing and from the date of contracting, respectively, and the interests are paid periodically. The credit facilities are subject to covenants regarding debt ratio and interest protection multiples during the facility period.

b. Secured loans

On January 22, 2010, TNH entered into a syndicated loan agreement, with respect to the investment under the aforementioned BOT contract (see Note 14), with a group of banks for which credit facility is managed by Bank of Taiwan. The aggregate credit and guarantee amount were up to \$3,565,000 thousand for 7 years, including the grace period of 4 years, with interest payments on a monthly basis. In addition, TNH signed the supplementary agreement on December 29, 2015 to extend the credit

period to 10 years starting from the date the initial drawdown was made. In accordance with the loan agreement, the regular financial covenants, e.g. current ratio, equity ratio, and interest protection multiples, must be complied with during the credit facility period. For property under the BOT contract and its superficies that have been pledged as collateral, see Note 35 to the consolidated financial statements for details.

23. PROVISIONS

	December 31	
	2015	2014
Restoration	\$ 1,160,809	\$ 1,105,662
Decommissioning	110,876	63,246
Warranties	<u>125,776</u>	<u>62,524</u>
	<u>\$ 1,397,461</u>	<u>\$ 1,231,432</u>
Current	\$ 166,217	\$ 217,083
Non-current	<u>1,231,244</u>	<u>1,014,349</u>
	<u>\$ 1,397,461</u>	<u>\$ 1,231,432</u>

	Restoration	Decommissioning	Warranties	Total
Balance, January 1, 2015	\$ 1,105,662	\$ 63,246	\$ 62,524	\$ 1,231,432
Provision	79,207	45,332	196,962	321,501
Reversal	(18,196)	-	(39,913)	(58,109)
Unwinding of discount	10,784	2,298	-	13,082
Payment	<u>(16,648)</u>	<u>-</u>	<u>(93,797)</u>	<u>(110,445)</u>
Balance, December 31, 2015	<u>\$ 1,160,809</u>	<u>\$ 110,876</u>	<u>\$ 125,776</u>	<u>\$ 1,397,461</u>
Balance, January 1, 2014	\$ 1,021,896	\$ -	\$ 52,059	\$ 1,073,955
Provision	109,076	36,819	102,395	248,290
Acquisition from combination	-	25,494	-	25,494
Reversal	(22,084)	-	(34,841)	(56,925)
Unwinding of discount	13,092	933	-	14,025
Payment	<u>(16,318)</u>	<u>-</u>	<u>(57,089)</u>	<u>(73,407)</u>
Balance, December 31, 2014	<u>\$ 1,105,662</u>	<u>\$ 63,246</u>	<u>\$ 62,524</u>	<u>\$ 1,231,432</u>

24. OTHER NON-CURRENT LIABILITIES

	December 31	
	2015	2014
Construction and equipment retainage payable	\$ 23	\$ 95,465
Concession payable	745,577	818,402
Others	<u>19,744</u>	<u>19,744</u>
	<u>\$ 765,344</u>	<u>\$ 933,611</u>

Concession payable is the development concession from the BOT contract between the Department of Cultural Affairs of Taipei City Government and TNH, see Note 36 to the consolidated financial statements for details.

25. OPERATING LEASE

a. Lessee

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

	December 31	
	2015	2014
Less than one year	\$ 3,204,706	\$ 2,989,343
Between one and five years	4,815,646	4,823,342
More than five years	<u>104,120</u>	<u>102,907</u>
	<u>\$ 8,124,472</u>	<u>\$ 7,915,592</u>

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

The payments of leases and subleases were as follows:

	For the Year Ended December 31	
	2015	2014
Minimum lease payment	\$ 3,570,175	\$ 3,437,000
Sublease payment	<u>(4,398)</u>	<u>(3,499)</u>
	<u>\$ 3,565,777</u>	<u>\$ 3,433,501</u>

b. Lessor

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

	December 31	
	2015	2014
Less than one year	\$ 19,926	\$ 15,232
Between one and five years	<u>22,659</u>	<u>14,866</u>
	<u>\$ 42,585</u>	<u>\$ 30,098</u>

26. RETIREMENT BENEFIT PLANS

a. Defined benefit plan

The Group contributed 2% of each employee's monthly wages to the pension fund, with Bank of Taiwan acting as the custodian bank, in accordance with the defined benefit plans.

The plan, under the Labor Standards Law, provides benefits based on an employee's years of service and average monthly salary for six-month period prior to retirement. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group will fund the difference in one appropriation before the end of March of the following year.

The defined benefit plans were as follows:

	December 31	
	2015	2014 (Retrospective Application)
Present value of defined benefit obligations	\$ 1,062,292	\$ 881,719
Fair value of plan assets	<u>(787,656)</u>	<u>(744,937)</u>
Net defined benefit liability	<u>\$ 274,636</u>	<u>\$ 136,782</u>

The movements in present value of defined benefit obligations for the years ended December 31, 2015 and 2014 were as follows:

	For the Year Ended December 31	
	2015	2014 (Retrospective Application)
Present value of defined benefit obligation, January 1	\$ 881,719	\$ 851,574
Current service costs	2,423	2,626
Past service costs	(696)	-
Interest cost	16,976	16,032
Actuarial loss - changes in demographic assumptions	61,881	13,298
Actuarial loss (gain) - changes in financial assumptions	61,925	(6,339)
Actuarial loss - experience adjustments	42,776	18,900
Benefits paid	<u>(4,712)</u>	<u>(14,372)</u>
Present value of defined benefit obligation, December 31	<u>\$ 1,062,292</u>	<u>\$ 881,719</u>

The movements in the fair value of the plan assets for the years ended December 31, 2015 and 2014 were as follows:

	For the Year Ended December 31	
	2015	2014 (Retrospective Application)
Fair value of plan assets, January 1	\$ 744,937	\$ 720,010
Net interest income	14,534	13,805
Return on plan assets (excluding amounts included in net interest)	5,452	3,299
Contributions from the employer	27,445	22,195
Benefits paid	<u>(4,712)</u>	<u>(14,372)</u>
Fair value of plan assets, December 31	<u>\$ 787,656</u>	<u>\$ 744,937</u>

The expenses recognized in profit or loss for the years ended December 31, 2015 and 2014 were as follows:

	For the Year Ended December 31	
	2015	2014 (Retrospective Application)
Current service costs	\$ 2,423	\$ 2,626
Past service costs	(696)	-
Interest cost	16,976	16,032
Net interest income	<u>(14,534)</u>	<u>(13,805)</u>
	<u>\$ 4,169</u>	<u>\$ 4,853</u>

The pre-tax re-measurements recognized in other comprehensive income (loss) for the years ended December 31, 2015 and 2014 were as follows:

	For the Year Ended December 31	
	2015	2014 (Retrospective Application)
Return on plan assets (excluding amounts included in net interest)	\$ (5,452)	\$ (3,299)
Actuarial loss - changes in demographic assumptions	61,881	13,298
Actuarial loss (gain) - changes in financial assumptions	61,925	(6,339)
Actuarial loss - experience adjustments	<u>42,776</u>	<u>18,900</u>
	<u>\$ 161,130</u>	<u>\$ 22,560</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2015	2014
Discount rate	1.50%-1.75%	1.875%-2.125%
Long-term average adjustment rate of salary	2.50%-3.00%	2.50%-3.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2015
Discount rate	
0.25% increase	<u>\$ (41,504)</u>
0.25% decrease	<u>\$ 43,570</u>
Long-term average adjustment rate of salary	
0.25% increase	<u>\$ 42,528</u>
0.25% decrease	<u>\$ (40,738)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2015	2014
The expected contributions to the plan for the next year	<u>\$ 28,332</u>	<u>\$ 27,041</u>
The average duration of the defined benefit obligation	13-19.4 years	14-19.9 years

b. Defined contribution plans

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

The Group's contribution to the pension plan amounted to \$259,709 thousand and \$257,572 thousand for the years ended December 31, 2015 and 2014, respectively.

27. INCOME TAX FROM CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2015	2014
Current income tax expense		
Current period	\$ 3,020,436	\$ 2,868,296
Prior years' adjustment	<u>(449,040)</u>	<u>230,781</u>
	2,571,396	3,099,077
Deferred income tax expense		
Temporary differences	<u>(573,475)</u>	<u>134,752</u>
Income tax expense	<u>\$ 1,997,921</u>	<u>\$ 3,233,829</u>

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

	For the Year Ended December 31	
	2015	2014
Profit before tax	\$ 18,165,950	\$ 18,866,172
Income tax expense at domestic statutory tax rate (17%)	3,088,211	3,207,249
Effect of different tax rates on the Group entities	(19,275)	(19,537)
Adjustment items in determining taxable profit	(53,632)	(335,988)
Temporary difference	(573,475)	134,752
Investment tax credit	(39,920)	(48,001)
Unrecognized loss carryforwards	41,824	56,442
Prior years' adjustment	(449,040)	230,781
Land value increment tax	<u>3,228</u>	<u>8,131</u>
	<u>\$ 1,997,921</u>	<u>\$ 3,233,829</u>

b. Income tax recognized in other comprehensive income (loss):

	For the Year Ended December 31	
	2015	2014
Deferred income tax income		
Re-measurements from defined benefit plans	<u>\$ 27,392</u>	<u>\$ 3,834</u>

c. Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2015 and 2014, were as follows:

	Property, Plant and Equipment	Defined Benefit Plans	Others	Total
<u>Deferred tax assets</u>				
Balance, January 1, 2015	\$ 703,572	\$ 50,712	\$ 130,889	\$ 885,173
Recognized in profit or loss	(98,791)	52	(1,286)	(100,025)
Recognized in other comprehensive income (loss)	<u>-</u>	<u>26,634</u>	<u>-</u>	<u>26,634</u>
Balance, December 31, 2015	<u>\$ 604,781</u>	<u>\$ 77,398</u>	<u>\$ 129,603</u>	<u>\$ 811,782</u>
Balance, January 1, 2014	\$ 772,621	\$ 46,995	\$ 107,698	\$ 927,314
Recognized in profit or loss	(69,049)	178	23,191	(45,680)
Recognized in other comprehensive income (loss)	<u>-</u>	<u>3,539</u>	<u>-</u>	<u>3,539</u>
Balance, December 31, 2014	<u>\$ 703,572</u>	<u>\$ 50,712</u>	<u>\$ 130,889</u>	<u>\$ 885,173</u>

	Accounts Receivable	Intangible Assets	Others	Total
<u>Deferred tax liabilities</u>				
Balance, January 1, 2015	\$ 2,037,386	\$ 617,409	\$ 33,773	\$ 2,688,568
Recognized in profit or loss	(678,524)	(17,076)	22,100	(673,500)
Recognized in other comprehensive income (loss)	-	-	(758)	(758)
Balance, December 31, 2015	<u>\$ 1,358,862</u>	<u>\$ 600,333</u>	<u>\$ 55,115</u>	<u>\$ 2,014,310</u>
Balance, January 1, 2014	\$ 1,855,071	\$ 719,585	\$ 25,135	\$ 2,599,791
Recognized in profit or loss	182,315	(102,176)	8,933	89,072
Recognized in other comprehensive income (loss)	-	-	(295)	(295)
Balance, December 31, 2014	<u>\$ 2,037,386</u>	<u>\$ 617,409</u>	<u>\$ 33,773</u>	<u>\$ 2,688,568</u>

2) Unrecognized deferred tax assets items

	<u>December 31</u>	
	2015	2014
Loss carry-forwards	\$ 1,401,958	\$ 1,351,696
Impairment loss on financial assets	-	1,208,366
	<u>\$ 1,401,958</u>	<u>\$ 2,560,062</u>

As of December 31, 2015, the Group had not recognized the prior years' loss carry-forwards as deferred tax assets. The expiry years are as follows:

Remaining Creditable Amount	Expiry Year
\$ 118,483	2016
273,772	2017
244,187	2018
251,244	2019
267,345	2020
49,677	2021
50,934	2022
118,808	2023
<u>27,508</u>	2025
<u>\$ 1,401,958</u>	

d. Integrated income tax information was as follows:

	<u>December 31</u>	
	2015	2014
Balance of TWN's imputation credit account (ICA)	<u>\$ 1,148,061</u>	<u>\$ 1,234,356</u>

As of December 31, 2015, there were no unappropriated earnings generated before 1997.

The estimated tax creditable ratio for 2015 and actual tax creditable ratio for 2014 were 19.80% and 16.08%, respectively, based on Decree No. 10204562810 announced on October 17, 2013, by the ROC Ministry of Finance; Under the Integrated Income Tax System, ROC resident shareholders are allowed a tax credit for the income tax paid by TWM. An ICA is maintained by TWM for such income tax, and a tax credit is allocated to each shareholder when earning distribution occurs. Actual allocation of the ICA is based on the balance on the record date for dividend distribution. Therefore, the estimated tax creditable ratio may differ from the actual tax creditable ratio for the 2015 earnings appropriation. Effective from January 1, 2015, the tax creditable ratio for individual shareholders residing in ROC will be half of the original tax creditable ratio.

e. Income tax examinations

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

<u>Company</u>	<u>Year</u>
TWM	2013
TCC	2013
WMT	2013
GWMT	2013
GFMT	2013
TDC	2013
TDS	2013
TCCI	2013
TID	2013
TFN	2013
TT&T	2013
TUI	2013
WTVB	2013
TFNM	2012
UCTV	2013
YJCTV	2013
MCTV	2013
PCTV	2013
GCTV	2013
TKT	2013
momo	2013
FST	2013
FLI	2013
FPI	2013
TNH	2013

TWM's income tax returns up to 2013 have been assessed by the tax authorities. TWM disagreed with assessment of the income tax return for 2013 and has applied for correction, which is still in process of the tax authorities' reviews.

TFN's income tax returns up to 2013 have been assessed by the tax authorities. TFN disagreed with the assessments of the income tax returns for 2010 and is planning to appeal to ROC Ministry of Finance.

28. EQUITY

a. Common stock

As of December 31, 2015 and 2014, TWM had authorized 6,000,000 thousand common shares, with 3,420,833 thousand shares issued and outstanding at par value \$10 per share.

b. Capital surplus

	December 31	
	2015	2014
Additional paid-in capital from convertible corporate bonds	\$ 8,775,820	\$ 8,775,820
Treasury share transactions	5,159,704	5,159,704
Difference between consideration and carrying amount arising from the disposal of subsidiaries' shares	85,965	85,965
Changes in equity of subsidiaries	511,562	652,219
Changes in equity of associates accounted for using equity method	37,907	26,705
Others	<u>15,418</u>	<u>15,417</u>
	<u>\$ 14,586,376</u>	<u>\$ 14,715,830</u>

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 make-up accumulated deficit, if any, or be transferred to capital as stock dividends, or be distributed as cash dividends when there is no accumulated 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 make-up accumulated deficit.

c. 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 appropriated as follows:

- 1) Remuneration to directors, not exceeding 0.3%;
- 2) Employee bonuses in the sum of 1% to 3%;
- 3) 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. Stock dividends in a particular year shall be capped at no more than 80% of total dividends to be distributed for that year. The amount of the distributable dividends, the forms in which dividends shall be distributed, and the ratio thereof shall depend on the actual profit and cash positions of TWM and shall be approved by resolutions of the Board, who shall, upon such approval, recommend the same to the shareholders for approval by resolution at the shareholders' meetings. The appropriation of earnings should be resolved by the shareholders' meeting and recognized in the financial statements in the following year.

According to the ROC Company Act, a company shall first set aside 10% 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.

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" issued by the FSC.

In accordance with the ROC Company Act amended in May 2015, the recipients of dividends and bonuses arising from earning distributions are limited to shareholders and do not include employees. The Board of Directors proposed amendments to TWM's Articles of Incorporation on October 29, 2015, which will be approved at the annual shareholders' meeting. For information about the accrual basis of the employee remuneration or employee bonuses and remuneration to directors and the actual appropriations, see Note 39 to the consolidated financial statements for details.

The 2014 and 2013 earnings appropriations approved by the annual general shareholders' meeting ("AGM") on June 10, 2015 and June 12, 2014, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2014	For Fiscal Year 2013	For Fiscal Year 2014	For Fiscal Year 2013
Appropriation of legal reserve	\$ 1,500,543	\$ 2,275,622		
Appropriation of special reserve	302,986	-		
Cash dividends to shareholders	<u>15,243,655</u>	<u>15,064,599</u>	\$ 5.6	\$ 5.6
	<u>\$ 17,047,184</u>	<u>\$ 17,340,221</u>		

TWM's 2015 earnings appropriations will be proposed by Board of Directors and approved at the AGM. Information on earnings appropriations is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity interests

	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Total
Balance, January 1, 2015	\$ 31,294	\$ (334,280)	\$ (302,986)
Exchange differences on translation	(5,571)	-	(5,571)
Changes in fair value of available-for-sale financial assets	-	(850,971)	(850,971)
Changes in other comprehensive income (loss) of associates accounted for using equity method	<u>(3,337)</u>	<u>(11,089)</u>	<u>(14,426)</u>
Balance, December 31, 2015	<u>\$ 22,386</u>	<u>\$ (1,196,340)</u>	<u>\$ (1,173,954)</u>

(Continued)

	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Total
Balance, January 1, 2014	\$ 24,948	\$ 387,734	\$ 412,682
Exchange differences on translation	6,487	-	6,487
Changes in fair value of available-for-sale financial assets	-	(741,210)	(741,210)
Changes in other comprehensive income (loss) of associates accounted for using equity method	<u>(141)</u>	<u>19,196</u>	<u>19,055</u>
Balance, December 31, 2014	<u>\$ 31,294</u>	<u>\$ (334,280)</u>	<u>\$ (302,986)</u> (Concluded)

e. Treasury shares

As of December 31, 2015 and 2014, TWM's stocks held for the investment purposes by TCCI, TUI and TID, which are all wholly-owned by TWM, were both 698,752 thousand shares, and the market values were \$69,875,160 thousand, \$73,019,542 thousand, respectively. Since TWM's shares held by its subsidiaries are regarded as treasury shares, TWM recognized both \$29,717,344 thousand, as treasury shares. For those treasury shares holders, they have the same rights as the other shareholders, except that they are not allowed to subscribe new shares issued by TWM for cash. In addition, based on the ROC Company Act, subsidiaries with over 50% shareholding owned by TWM cannot exercise the voting rights over such treasury shares.

TID disposed of 31,974 thousand shares of TWM for \$2,970,389 thousand in October 2014. TWM recognized "capital surplus - treasury share transactions" at the amount of \$1,520,403 thousand.

f. Non-controlling interests

	For the Year Ended December 31	
	2015	2014
Retrospective application beginning balance	\$ 6,252,897	\$ 1,086,747
Portion attributable to non-controlling interests		
Profit	481,843	547,677
Unrealized losses on available-for-sale financial assets	(56,359)	(22,378)
Exchange differences on translation	(6,683)	7,739
Re-measurements from defined benefit plans	(473)	(782)
Share of other comprehensive income (loss) of associates accounted for using equity method	(22,787)	28,065
Changes in capital surplus of associates accounted for using equity method	14,038	(258)
Disposal of partial ownership interests in subsidiaries	-	229,995
Adjustments arising from changes in percentage of ownership of subsidiaries	(255,874)	2,864,113
Cash dividends from subsidiaries paid to non-controlling interests	(670,583)	(224,481)
Increase in non-controlling interests	<u>-</u>	<u>1,736,460</u>
Ending balance	<u>\$ 5,736,019</u>	<u>\$ 6,252,897</u>

29. EARNINGS PER SHARE

	For the Year Ended December 31, 2015		
	Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of parent	\$ 15,686,186	2,722,081	<u>\$ 5.76</u>
Diluted EPS			
Profit attributable to owners of parent	\$ 15,686,186	2,722,081	
Effect of potential dilutive common stock	<u>-</u>	<u>6,419</u>	
Profit attributable to owners of parent (adjusted for potential effect of dilutive common stock)	<u>\$ 15,686,186</u>	<u>2,728,500</u>	<u>\$ 5.75</u>
	For the Year Ended December 31, 2014		
	Retrospective Application Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit from continuing operations attributable to owners of parent	\$ 15,045,446	2,697,728	\$ 5.57
Loss from discontinued operations attributable to owners of parent	<u>(39,109)</u>	2,697,728	<u>(0.01)</u>
Profit attributable to owners of parent	<u>\$ 15,006,337</u>	2,697,728	<u>\$ 5.56</u>
Diluted EPS			
Profit from continuing operations attributable to owners of parent	\$ 15,045,446	2,697,728	
Effect of potential dilutive common stock	<u>-</u>	<u>5,792</u>	
Profit from continuing operations attributable to owners of parent	15,045,446	2,703,520	\$ 5.56
Loss from discontinued operations attributable to owners of parent	<u>(39,109)</u>	2,703,520	<u>(0.01)</u>
Profit attributable to owners of parent (adjusted for potential effect of dilutive common stock)	<u>\$ 15,006,337</u>	2,703,520	<u>\$ 5.55</u>

Since TWM may settle the employee remuneration or bonus to employees by cash or shares, TWM should presume that the entire amount of the bonus will be settled in shares, and the potential share dilution should be included in the weighted-average number of shares outstanding used in the calculation of diluted EPS if the shares have a dilutive effect. In the calculation of diluted EPS, the number of outstanding shares is derived by dividing the entire amount of the bonus by the closing price of the shares at the end of the reporting period. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until employee remuneration or bonus to employees is approved in the following year.

30. OPERATING REVENUES FROM CONTINUING OPERATIONS

	<u>For the Year Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Telecommunication service	\$ 57,842,781	\$ 58,374,045
Sales revenue	47,887,797	44,752,181
Cable TV and broadband	6,344,628	6,199,530
Other operating revenues	<u>4,068,999</u>	<u>3,298,123</u>
	<u>\$ 116,144,205</u>	<u>\$ 112,623,879</u>

31. OTHER INCOME AND EXPENSES FROM CONTINUING OPERATIONS

a. Other income

	<u>For the Year Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Interest income	\$ 154,760	\$ 94,953
Dividend income	21,213	22,803
Other income	<u>272,816</u>	<u>423,274</u>
	<u>\$ 448,789</u>	<u>\$ 541,030</u>

b. Other gains and losses, net

	<u>For the Year Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Loss on disposal of property, plant and equipment, net	\$ (332,085)	\$ (967,546)
Gain on disposal of intangible assets	47	-
Gain on disposal of non-current assets held for sale, net	-	158,568
Valuation loss on financial assets at fair value through profit or loss	(68,618)	-
Gain (loss) on disposal of investments, net	12,437	(168)
Others	<u>(414)</u>	<u>28,951</u>
	<u>\$ (388,633)</u>	<u>\$ (780,195)</u>

c. Finance costs

	<u>For the Year Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Interest expense		
Bank loans	\$ 404,867	\$ 389,366
Corporate bonds	196,916	197,066
Others	<u>135,427</u>	<u>28,547</u>
	737,210	614,979
Less: Capitalized interest	<u>(6,293)</u>	<u>(13,145)</u>
	<u>\$ 730,917</u>	<u>\$ 601,834</u>
Capitalization rates	1.33%	1.20%-1.36%

32. CAPITAL MANAGEMENT

The Group maintains and manages its capital to meet the minimum 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 to maintain adequate financial ratios, the Group may adopt various financing approaches to balance its capital structure in order to meet the demands for capital expenditures, working capital, settlements of liabilities, and dividend payments in normal course of business for the future.

33. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Financial assets</u>		
Available-for-sale financial assets (including current and non-current portions)	\$ 3,692,610	\$ 5,693,910
Financial assets at fair value through profit or loss	<u>158,322</u>	<u>-</u>
Financial assets carried at cost	<u>192,700</u>	<u>192,652</u>
Held-to-maturity financial assets	<u>-</u>	<u>6</u>
Loans and receivables:		
Cash and cash equivalents	8,579,422	7,903,777
Receivables (including current and non-current portions)	21,792,955	20,743,165
Debt instrument investments without active market	359,062	500,000
Other financial assets (including current and non-current portions)	3,112,465	3,239,400
Refundable deposits	<u>581,237</u>	<u>579,457</u>
Subtotal	<u>34,425,141</u>	<u>32,965,799</u>
Total	<u>\$ 38,468,773</u>	<u>\$ 38,852,367</u>
<u>Financial liabilities</u>		
Short-term borrowings	\$ 14,220,938	\$ 18,900,000
Short-term notes and bills payable	10,793,487	5,593,031
Payables (including current and non-current portions)	18,541,226	21,086,502
Bonds payable	14,795,938	14,794,293
Long-term borrowings (including current portion)	21,950,363	15,390,544
Guarantee deposits	<u>797,787</u>	<u>820,504</u>
Total	<u>\$ 81,099,739</u>	<u>\$ 76,584,874</u>

b. Fair value of financial instruments

1) Financial instruments not at fair value

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

	December 31			
	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>				
Bonds payable	\$ 14,795,938	\$ 14,965,461	\$ 14,794,293	\$ 14,774,375

The fair value of bonds payable is measured by Level 2 inputs, using a volume-weighted-average price on the OTC at the end of the reporting period.

2) Fair value measurements recognized in the consolidated balance sheets

The table below provides the related analysis of financial instruments at fair value after initial recognition. Based on the extent that fair value can be observed, the fair value measurements are grouped into Levels 1 to 3:

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

Financial instruments at fair value

December 31, 2015

	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Domestic listed stock	\$ 215,395	\$ -	\$ -	\$ 215,395
Domestic emerging stock	937,307	-	-	937,307
Domestic unlisted stocks	-	1,727,171	-	1,727,171
Beneficiary certificates	734,991	-	-	734,991
Foreign unlisted stocks	-	77,746	-	77,746
	<u>\$ 1,887,693</u>	<u>\$ 1,804,917</u>	<u>\$ -</u>	<u>\$ 3,692,610</u>
Financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,322</u>	<u>\$ 158,322</u>

December 31, 2014

	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Domestic listed stock	\$ 204,310	\$ -	\$ -	\$ 204,310
Domestic emerging stock	893,103	-	-	893,103
Domestic unlisted stocks	-	2,587,050	-	2,587,050
Beneficiary certificates	<u>2,009,447</u>	<u>-</u>	<u>-</u>	<u>2,009,447</u>
	<u>\$ 3,106,860</u>	<u>\$ 2,587,050</u>	<u>\$ -</u>	<u>\$ 5,693,910</u>

There was no transfer between the fair value measurements of Levels 1 and 2 for the years ended December 31, 2015 and 2014.

Valuation techniques and assumptions used in fair value determination

- a) The fair value of financial instruments traded in active markets is based on quoted market prices (including stocks and bonds of companies that went public).
 - b) Valuation techniques and inputs applied for Level 2 fair value measurement: The Group uses market comparison approach to evaluate fair values of domestic unlisted stocks based on observable prices of the similar financial instruments at the end of the period and their market liquidity, and to evaluate fair values of foreign unlisted stocks based on price fluctuation, risk-free rate, risk discount rate and liquidity risk.
 - c) Valuation techniques and inputs applied for Level 3 fair value measurement: The embedded derivatives instruments of convertible notes are evaluated by using binary tree evaluation models to evaluate fair value, considering significant unobservable inputs are historical volatility of stock prices and liquidity discount rate. On December 31, 2015, the historical volatility of stock prices was estimated at 55.02% and the liquidity discount rate was estimated at 31.15%. Assuming all other variables are constant, an increase (or decrease) in the historical volatility of stock prices used in isolation would result in an increase (or decrease) in the liquidity discount rate. There is a positive correlation between historical volatility of stock prices and fair value and a negative correlation between liquidity discount rate and fair value. As a result, the fair value is affected by historical volatility of stock prices and liquidity discount rate.
- 3) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2015

Financial Assets at Fair Value Through Profit or Loss	Derivative Instruments
Balance, January 1, 2015	\$ -
Purchases	246,292
Conversion	(33,561)
Recognized in profit or loss	
Valuation loss on financial assets at fair value through profit or loss	(70,185)
Unrealized gain on foreign currency exchange	<u>15,776</u>
Balance, December 31, 2015	<u>\$ 158,322</u>

c. Financial risk management

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

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

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

2) Risk management framework

a) Decision-making mechanism

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

b) Risk management policies

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

c) Monitoring mechanism

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

3) Credit risk

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

4) Liquidity risk

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

The Group ensures sufficient cash for the requirements of paying estimated operating expenditures, including financial obligations. The Group also monitors its bank credit facilities to ensure that the provisions of loan contracts are all complied with properly. As of December 31, 2015 and 2014, the Group had unused bank facilities of \$44,877,067 thousand and \$51,516,644 thousand, respectively.

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

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

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1-5 Years	More Than 5 Years
<u>December 31, 2015</u>					
Unsecured loans	\$ 32,990,938	\$ 33,336,485	\$ 24,465,439	\$ 8,838,846	\$ 32,200
Secured loans	3,180,363	3,475,786	281,980	3,193,806	-
Short-term notes and bills payable	10,793,487	10,800,000	10,800,000	-	-
Bonds payable	<u>14,795,938</u>	<u>15,409,150</u>	<u>195,420</u>	<u>15,213,730</u>	<u>-</u>
	<u>\$ 61,760,726</u>	<u>\$ 63,021,421</u>	<u>\$ 35,742,839</u>	<u>\$ 27,246,382</u>	<u>\$ 32,200</u>
<u>December 31, 2014</u>					
Unsecured loans	\$ 30,900,000	\$ 31,109,636	\$ 21,063,203	\$ 10,046,433	\$ -
Secured loans	3,390,544	3,395,000	210,000	3,185,000	-
Short-term notes and bills payable	5,593,031	5,600,000	5,600,000	-	-
Bonds payable	<u>14,794,293</u>	<u>15,604,570</u>	<u>195,420</u>	<u>15,409,150</u>	<u>-</u>
	<u>\$ 54,677,868</u>	<u>\$ 55,709,206</u>	<u>\$ 27,068,623</u>	<u>\$ 28,640,583</u>	<u>\$ -</u>

5) Market risk

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

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

a) Exchange rate risk

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

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

December 31, 2015			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
RMB	\$ 3,904	4.975	\$ 19,422
USD	53,819	32.86	1,768,481
JPY	606	0.2729	165
HKD	84,947	4.239	360,089
EUR	928	35.94	33,342
Non-monetary items			
RMB	143,455	4.975	713,691
HKD	55,690	4.239	236,068
THB	176,166	0.9167	161,491
<u>Financial liabilities</u>			
Monetary items			
USD	11,791	32.86	387,456
JPY	7,857	0.2729	2,144
HKD	148	4.239	629
EUR	6	35.94	214
December 31, 2014			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
RMB	\$ 320	5.095	\$ 1,631
USD	60,483	31.71	1,916,691
JPY	652	0.2647	173
HKD	326	4.087	1,332
EUR	416	38.57	16,062
Non-monetary items			
RMB	38,031	5.095	193,869
THB	155,756	0.9682	150,803
<u>Financial liabilities</u>			
Monetary items			
USD	18,767	31.71	595,107
JPY	4,683	0.2647	1,240
HKD	144	4.087	589
EUR	14	38.57	548

The Group's foreign exchange gains and losses, including realized and unrealized, for the years ended December 31, 2015 and 2014, were net exchange gain of \$65,862 thousand and \$39,657 thousand, respectively. Due to the variety of functional currencies, the Group could not disclose the foreign exchange gains (losses) for each foreign currency with significant influence.

Sensitivity analysis

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts denominated in foreign currencies such as cash and cash equivalents, accounts receivable, other receivables, debt instrument investments without active market, other financial assets, refundable deposits, accounts payable, other payables, and guarantee deposits, etc. If the NTD, when compared with the RMB, USD, JPY, HKD and EUR, had depreciated 5% (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have increased by \$89,551 thousand and \$66,920 thousand for the years ended December 31, 2015 and 2014, respectively.

b) Interest rate risk

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

The carrying amounts of the Group's financial assets and financial liabilities exposed to interest rate risk were as follows:

	December 31	
	2015	2014
Fair value interest rate risk		
Financial assets	\$ 8,821,624	\$ 8,530,060
Financial liabilities	55,289,425	51,287,324
Cash flow interest rate risk		
Financial assets	3,135,602	2,472,715
Financial liabilities	6,471,301	3,390,544

Sensitivity analysis

The following sensitivity analysis is based on the exposure to interest rate risk of derivative and non-derivative instruments at the end of the reporting period. For floating-rate assets and liabilities, the analysis assumes that the balances of outstanding assets and liabilities at the end of the reporting period 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 at the end of the reporting period and with analyses of the two periods on the same basis), the Group's profit would have decreased by \$16,678 thousand and \$4,589 thousand for the years ended December 31, 2015 and 2014, respectively.

c) Other market price risk

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

Sensitivity analysis

If the price of equity tools 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, 2015 and 2014, other comprehensive income (loss) would have increased by \$184,630 thousand and \$284,696 thousand, respectively.

34. RELATED-PARTY TRANSACTIONS

a. Parent company and ultimate controlling party

TWM is the ultimate controlling party of the Group.

b. Significant transactions with related parties

1) Operating revenue

	For the Year Ended December 31	
	2015	2014
Associates	\$ 51,945	\$ 17,858
Other related parties	<u>225,190</u>	<u>196,619</u>
	<u>\$ 277,135</u>	<u>\$ 214,477</u>

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

2) Purchases

	For the Year Ended December 31	
	2015	2014
Associates	\$ 442,121	\$ 453,848
Other related parties	295,710	253,506
Less: Purchases from discontinued operations	<u>-</u>	<u>(6,370)</u>
	<u>\$ 737,831</u>	<u>\$ 700,984</u>

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

3) Receivables from related parties

Account	Related Party Categories	December 31	
		2015	2014
Accounts receivables	Associates	\$ 18,786	\$ 2,792
Accounts receivables	Other related parties	<u>43,317</u>	<u>31,769</u>
		<u>\$ 62,103</u>	<u>\$ 34,561</u>
Other receivables	Associates	\$ 88,661	\$ 109,211
Other receivables	Other related parties	<u>40,557</u>	<u>60,568</u>
		<u>\$ 129,218</u>	<u>\$ 169,779</u>

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

4) Payables to related parties

Account	Related Party Categories	December 31	
		2015	2014
Accounts payable	Associates	\$ 38,485	\$ 45,329
Accounts payable	Other related parties	<u>53,001</u>	<u>34,063</u>
		<u>\$ 91,486</u>	<u>\$ 79,392</u>
Other payable	Other related parties	<u>\$ 75,394</u>	<u>\$ 57,195</u>

5) Prepayments

	December 31	
	2015	2014
Other related parties	<u>\$ 26,445</u>	<u>\$ 15,986</u>

6) Long-term and short-term borrowings from related parties

	December 31	
	2015	2014
Other related parties	<u>\$ -</u>	<u>\$ 727,500</u>

The rate on borrowings from related parties was equivalent to the rate in the market. Additionally, the Group had drawn \$32,500 thousand of performance guarantee from related parties.

7) Bank deposits, time deposits and other financial assets

	December 31	
	2015	2014
Other related parties	<u>\$ 2,004,158</u>	<u>\$ 3,197,591</u>

8) Acquisition of available-for-sale financial assets-current

The Group paid \$393,724 thousand to acquire beneficiary certificates from other related parties in 2014.

9) Disposal of available-for-sale financial assets-current

The Group sold the beneficiary certificates, which had been purchased from the same entity, to the related parties in 2015. The disposal amounts were \$390,349 thousand, which resulted in disposal losses of \$3,375 thousand for the year ended December 31, 2015.

10) Acquisition of investments

In April 2014, the Group acquired 35% of TVD Shopping, and the investment amount was \$148,118 thousand.

11) Disposal of subsidiaries

In September 2014, the Group sold all of its ownership in TMB to Fubon Financial Holding Venture Co., Ltd. The proceeds from the disposal were \$21,360 thousand, and the Group recognized a loss on disposal of investments of \$168 thousand.

12) Others

	December 31	
	2015	2014
Guarantee deposits		
Other related parties	<u>\$ 48,271</u>	<u>\$ 32,489</u>
	For the Year Ended December 31	
	2015	2014
Operating expenses		
Other related parties	\$ 505,284	\$ 489,929
Less: Operating expenses from discontinued operations	<u>-</u>	<u>(1,871)</u>
	<u>\$ 505,284</u>	<u>\$ 488,058</u>

Operating expenses include rental expenses. Leases were conducted at general market prices, and the rental was paid monthly.

	For the Year Ended December 31	
	2015	2014
Non-operating income		
Associates	\$ 898	\$ 12,337
Other related parties	<u>29,881</u>	<u>19,986</u>
	<u>\$ 30,779</u>	<u>\$ 32,323</u>
Non-operating expense		
Other related parties	<u>\$ 13,586</u>	<u>\$ 24,167</u>

c. Key management compensation

	For the Year Ended December 31	
	2015	2014
Short-term employee benefits	\$ 302,304	\$ 283,024
Post-employment benefits	2,897	2,854
Termination benefits	<u>2,189</u>	<u>27,560</u>
	<u>\$ 307,390</u>	<u>\$ 313,438</u>

35. ASSETS PLEDGED

The assets pledged as collateral for syndicated loans, lawsuits, purchases, and performance bonds were as follows:

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Other current financial assets	\$ 1,079,811	\$ 124,806
Services concession	7,685,516	7,597,295
Other non-current financial assets	<u>109,366</u>	<u>107,380</u>
	<u>\$ 8,874,693</u>	<u>\$ 7,829,481</u>

36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Purchases of property, plant and equipment, etc.	<u>\$ 4,905,394</u>	<u>\$ 8,857,528</u>
Purchases of cellular phones	<u>\$ 4,111,662</u>	<u>\$ 7,057,442</u>

b. As of December 31, 2015 and 2014, the amounts of endorsements and guarantees (provided to each entity in the Group) were \$21,699,250 thousand and \$22,057,360 thousand, respectively.

c. In accordance with the NCC's policy, TWM entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid cards and electronic gift certificates, totaling amounting to \$824,650 thousand and \$14,059 thousand, respectively, as of December 31, 2015.

In accordance with the NCC's policy, TFN entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from International Direct Dialing ("IDD") calling cards totaling \$38 thousand as of December 31, 2015.

In accordance with the NCC's policy, cable television companies should provide a performance deposit based on a certain proportion of the advance receipts for a prepaid period. As of December 31, 2015, the cable television companies had provided \$56,409 thousand as a performance deposit, classified as other non-current financial assets.

In accordance with the Ministry of Economic Affairs' policy, momo entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid bonus and electronic tickets totaling \$20,228 thousand and \$374 thousand, respectively, as of December 31, 2015.

In accordance with the Ministry of Economic Affairs' policies, TKT entered into a contract with Mega International Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid music cards totaling \$1,320 thousand as of December 31, 2015.

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

1) Construction and operating period:

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

2) Development concession:

The total initial amount of concession was \$1,238,095 thousand (tax excluded). According to the supplemental agreement signed in November 2014, the concession will be paid with additional business tax from the signing date of the supplemental agreement; thus, the concession will be increased by \$48,750 thousand. The rest of the concession will be paid over 14 years from the year 2015. As of December 31, 2015, \$353,031 thousand (tax included) of the concession had been paid.

3) Performance guarantee:

As of December 31, 2015, TNH had provided a \$65,000 thousand performance guarantee regarding the BOT contract.

4) Rental of land:

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

During the operating period, TNH should pay 60% of 5% of the announced land value, that is, 3% of the announced land value. According to the supplemental agreement signed in November 2014, the concession will be paid with additional business tax from the date of agreement signing.

- e. In May 2015, Far EasTone Telecommunications (FET) filed with the Taipei District Court a request for provisional injunction to prohibit TWM from using a portion of its C1 spectrum block (1715.1-1721.3/1810.1-1816.3 MHz). FET offered a security deposit of \$1,048,703 thousand for the Court to bring the requested injunction into effect. The Court granted the request but allowed TWM to provide a counter-security deposit of \$927,000 thousand to continue the use of the spectrum block. TWM filed for the counter-security on July 14, 2015 and the use of the C1 band remains status quo. The rights and interests of the subscribers will not be affected. Besides, in August 2015, FET filed with the Court a civil statement of complaint, in which FET claims that (i) TWM shall not use the C1 spectrum block until TWM returns the C4 spectrum block and (ii) TWM shall immediately apply to return the C4 spectrum block to the NCC. In September 2015, FET raised an additional claim in which FET claims that TWM shall provide \$1,005,800 thousand to FET as compensation. The aforementioned case is still in the judicial proceeding and still unable to predict the lawsuit result.
- f. YJCTV has requested for reexamination due to disagreement with the assessments of the business tax returns from 2008 to 2013.

37. SIGNIFICANT CASUALTY LOSS: NONE

38. SIGNIFICANT SUBSEQUENT EVENTS

On January 29, 2016, the Board of Directors resolved that TWM will purchase the mobile broadband equipment from Nokia Solutions and Networks Taiwan Co, Ltd. Total amount of the contract will not exceed \$3,208,907 thousand.

39. OTHERS

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

	For the Year Ended December 31					
	2015			2014		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 2,036,793	\$ 3,823,927	\$ 5,860,720	\$ 2,042,923	\$ 3,988,524	\$ 6,031,447
Insurance expenses	169,231	332,102	501,333	168,993	333,381	502,374
Pension	88,588	166,249	254,837	87,587	167,275	254,862
Others	105,030	223,877	328,907	95,947	183,587	279,534
Depreciation	10,074,155	498,999	10,573,154	9,187,476	530,740	9,718,216
Amortization	2,525,285	414,334	2,939,619	1,544,286	327,143	1,871,429

- a. TWM's estimated bonus to employees and estimated remuneration to directors are accrued by a percentage of the profit in accordance with the current TWM's Articles of Incorporation. For the year ended December 31, 2014, TWM's estimated bonus to employees totaling \$396,057 thousand and estimated remuneration to directors totaling \$33,846 thousand.

In accordance with the amendments to the Company Act in May 2015 and the amended TWM's Articles of Incorporation proposed by the Board of Directors in October 2015, the estimated employee remuneration and estimated remuneration to directors based on a proportion of profit before income tax, employee remuneration and remuneration to directors. The employee remuneration and remuneration to directors of 2015 proposed by the Board of Directors on January 29, 2016 and the amounts recognized in the consolidated financial statements were as follows:

	Employee Remuneration	Remuneration to Directors
Amounts proposed by the Board of Directors	\$ 454,757	\$ 45,476
Amounts recognized in the consolidated financial statements	\$ 466,322	\$ 46,632

The differences above will be adjusted in 2016.

For the years ended December 31, 2014 and 2013, the AGM resolved on June 10, 2015 and June 12, 2014, to distribute bonuses to employees totaling \$396,057 thousand and \$420,753 thousand, respectively, and remuneration to directors totaling \$33,846 thousand and \$42,075 thousand, respectively. There were no differences between the above actual distributions and the amounts recognized in the financial statements for 2014 and 2013.

Information on the bonus to employees and directors proposed by the Board of Directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

- b. For the years ended December 31, 2015 and 2014, the depreciation expense in non-operating expenses was \$3,019 thousand and \$3,363 thousand, respectively.

40. 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: None
- 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% 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 5 (attached)
- 8) Receivables from related parties of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- 9) Names, locations and related information of investees on which TWM exercised significant influence: Table 7 (attached) (excluding information on investment in Mainland China)
- 10) Trading in derivative instruments: Note 33
- 11) Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 8 (attached)

c. Information on investment in Mainland China:

- 1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, 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: See the aforementioned "Information on significant transactions".

41. SEGMENT INFORMATION

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

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

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

Cable Television: Providing pay TV and cable broadband services.

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

The amount of discontinued operations is not included in the following segment information. For the information about discontinued operations, see Note 11 to the consolidated financial statements for details.

For the Year Ended December 31, 2015	Telecommuni- cation	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$ 83,780,637	\$ 25,639,898	\$ 6,554,973	\$ 597,287	\$ (428,590)	\$ 116,144,205
Operating costs	53,846,632	22,536,236	3,139,944	442,425	(180,102)	79,785,135
Operating expenses	15,102,006	2,043,265	783,836	125,843	(160,449)	17,894,501
Other gains and losses, net	281,410	(1,628)	29,528	-	(4,730)	304,580
Profit	15,113,409	1,058,769	2,660,721	29,019	(92,769)	18,769,149
EBITDA (Note)	27,229,012	1,190,763	3,563,763	237,863	63,540	32,284,941

For the Year Ended December 31, 2014	Telecommuni- cation	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$ 82,355,506	\$ 23,897,005	\$ 6,380,295	\$ 383,028	\$ (391,955)	\$ 112,623,879
Operating costs	51,316,415	20,592,348	3,041,334	257,043	(109,598)	75,097,542
Operating expenses	15,332,801	1,879,684	755,413	65,313	(108,573)	17,924,638
Other gains and losses, net	71,681	2,442	35,971	-	17	110,111
Profit	15,777,971	1,427,415	2,619,519	60,672	(173,767)	19,711,810
EBITDA (Note)	26,105,615	1,562,408	3,440,127	201,400	(13,609)	31,295,941

Note: The Group uses EBITDA (Operating income + Depreciation and amortization expenses) as the measurement for segment profit and the basis of performance assessment.

a. Geographical information

The Group's revenues are generated mostly from domestic business.

b. Information on major customers

The Group does not have revenues from a single customer that exceeds 10% of the consolidated operating revenues.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING EXTENDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2015

(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	Note
													Item	Value			
1	TFN	TWM	Other receivables	Yes	\$ 9,000,000	\$ 9,000,000	\$ 5,680,000	1.23511%-1.29622%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 20,443,430	\$ 20,443,430	Note 2
2	GCTV	TFNM	Other receivables	Yes	260,000	250,000	250,000	1.23100%-1.29489%	Short-term financing	-	Repayment of financing	-	-	-	281,919	499,040	Note 3
3	PCTV	TFNM	Other receivables	Yes	540,000	520,000	520,000	1.18567%-1.29489%	Transactions	550,024	-	-	-	-	550,024	992,673	Note 3
4	YJCTV	TFNM	Other receivables	Yes	480,000	470,000	470,000	1.18567%-1.29633%	Transactions	500,849	-	-	-	-	500,849	783,580	Note 3
5	WMT	TWM	Other receivables	Yes	2,800,000	2,700,000	1,840,000	1.18567%-1.298%	Short-term financing	-	Operation requirements	-	-	-	8,244,956	8,244,956	Note 2
		TKT	Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,244,956	8,244,956	Note 2
		WTVB	Other receivables	Yes	600,000	600,000	20,000	1.28111%-1.29789%	Short-term financing	-	Operation requirements	-	-	-	8,244,956	8,244,956	Note 2
		TFNM	Other receivables	Yes	3,000,000	3,000,000	2,070,000	1.28111%-1.29789%	Short-term financing	-	Operation requirements	-	-	-	8,244,956	8,244,956	Note 2
6	TCC	TWM	Other receivables	Yes	300,000	300,000	300,000	1.23511%-1.29622%	Short-term financing	-	Operation requirements	-	-	-	32,038,938	32,038,938	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% of the lending company's net worth. The individual loan funds shall be limited to the lowest amount of the following items: 1) 40% 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. 1) For reasons of business dealings: The individual lending amount and the aggregate amount of loaned funds shall not exceed the amount of business dealings. 2) For short-term financing needs: The individual lending amount and the aggregate amount of loaned funds shall not exceed 40% of the lending company's net worth.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars)

No.	Company Providing Endorsements/ Guarantees	Receiving Party		Limits 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	Note
		Name	Nature of Relationship											
0	TWM	TFN TKT	Note 2 Note 2	\$ 42,000,000 259,800	\$ 21,500,000 50,000	\$ 21,500,000 50,000	\$ 13,235,900 50,000	\$ - -	36.10 0.08	\$ 59,555,705 59,555,705	Y Y	N N	N N	Notes 3 and 4 Note 3
1	momo	FGE	Note 2	807,001	525,760	149,250	149,250	-	2.65	5,641,525	N	N	Y	Note 5

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 US\$65,000 thousand.

Note 5: The aggregate endorsement/guarantee amount provided by momo shall be limited to the net worth of momo for all the investments which momo holds, directly and indirectly, more than 50% ownership, and the individual amount shall be limited to the investment amount for a single subsidiary.

TABLE 3

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)
DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2015				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
TWM	<u>Stock</u>							
	Chunghwa Telecom Co., Ltd.	-	Current available-for-sale financial assets	2,174	\$ 215,395	0.028	\$ 215,395	
	Ambit Microsystems Corporation	-	Non-current available-for-sale financial assets	298,000	1,727,171	14.9	1,727,171	
	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	<u>Beneficiary Certificates</u>							
	Fubon Strategic High Income Fund B	Related party in substance	Current available-for-sale financial assets	18,302	172,033	-	172,033	
	Fuh Hwa Emerging Market High Yield Bond Fund B	-	Current available-for-sale financial assets	10,225	62,270	-	62,270	
	PineBridge Global Multi - Strategy High Yield Bond Fund-B	-	Current available-for-sale financial assets	23,351	163,680	-	163,680	
	Eastspring Investments Global High Yield Bond Fund B	-	Current available-for-sale financial assets	19,028	154,113	-	154,113	
	JPMorgan (Taiwan) Asia High Yield Total Return Bond Fund - Monthly Distribution Share Class	-	Current available-for-sale financial assets	18,916	182,895	-	182,895	
	<u>Stock</u>							
	Media Asia Group Holdings Limited	-	Current available-for-sale financial assets	43,668	77,746	2.04	77,746	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at cost	2,400	60,000	7.73	-	
TCC	<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	1,944	9,311	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	-	
TFNM	<u>Beneficiary Certificates</u>							
	Dragon Tiger Capital Partners Limited - Class B	-	Non-current financial assets at cost	0.2	6	0.33	-	
	Dragon Tiger Capital Partners Limited - Class C	-	Non-current financial assets at cost	0.0335	2,202	0.05	-	
	<u>Bonds</u>							
	Media Asia Group Holdings Limited - Convertible Notes	-	Non-current financial assets at fair value through profit or loss	-	158,322	-	158,322	
		-	Non-current debt instrument investment without active market	-	359,062	-	-	

(Continued)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2015				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
TCCI	Stock TWM Great Taipei Broadband Co., Ltd.	TWM -	Non-current available-for-sale financial assets	200,497	\$ 20,049,676	5.86	\$ 20,049,676	
			Non-current financial assets at cost	10,000	39,627	6.67	-	
TID	Stock TWM	TWM	Non-current available-for-sale financial assets	87,590	8,758,956	2.56	8,758,956	
TFN	Stock Taiwan High Speed Rail Corporation	-	Non-current available-for-sale financial assets	90,212	937,307	1.61	937,307	
TUI	Stock TWM	TWM	Non-current available-for-sale financial assets	410,665	41,066,528	12	41,066,528	

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, see Table 7 and Table 9 for details.

(Concluded)

TABLE 4

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Units/Shares (Thousands)	Amount	Units/Shares (Thousands)	Amount	Units/Shares (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Units/Shares (Thousands)	Amount
momo	Stock Honest Development	Investments accounted for using equity method	Capital increase	Subsidiary	-	\$ -	21,778	\$ 670,448	-	\$ -	\$ -	\$ -	21,778	\$ 713,722 (Note 1)
Honest Development	Stock HK Yue Numerous (Note 2)	Investments accounted for using equity method	Young Label Holdings Limited	-	-	-	16,600	670,448 (Note 2)	-	-	-	-	16,600	713,722 (Note 1)
momo	Beneficiary Certificates Allianz Global Investors Taiwan Money Market Fund	Current available-for-sale financial assets	-	-	32,520	400,007	-	-	32,520	401,122	400,000	1,122	-	-
	Eastspring Inv Well Pool Money Market	Current available-for-sale financial assets	-	-	29,933	400,006	-	-	29,933	401,032	400,000	1,032	-	-
TFNM	Bonds Media Asia Group Holdings Limited - Convertible Notes	Non-current financial assets at fair value through profit or loss	-	-	-	-	-	214,245	-	-	-	-	-	158,322 (Note 1)
		Non-current debt instrument investment without active market	-	-	-	-	-	302,505	-	-	-	-	-	359,062 (Note 1)

Note 1: The ending balance includes financial assets evaluation adjustments, exchange gains and losses, interest income, and related adjustments of investments accounted for using equity method.

Note 2: momo, through acquiring 100% equity of HK Yue Numerous, acquired 100% equity of Haobo and 20% equity of GHS.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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, 2015

(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	TFN	Subsidiary	Sale	\$ 1,295,500	2	Based on contract terms	-	-	\$ 190,176	2	(Note 1)
			Purchase	4,885,923	(Note 2)	Based on contract terms	-	-	(515,962)	(Note 3)	(Note 1)
	TKT	Subsidiary	Purchase	351,615	1	Based on contract terms	-	-	(90,895)	3	(Note 1)
			Purchase	1,112,890	(Note 2)	Based on contract terms	-	-	(88,862)	(Note 3)	
	TDS	Subsidiary	Sale	5,752,554	7	Based on contract terms	-	-	-	-	
			Purchase	6,501,321	(Note 2)	Based on contract terms	-	-	(10,524)	(Note 3)	(Note 1)
momo	Subsidiary	Sale	101,755	-	Based on contract terms	-	-	9,384	-		
TT&T	TWM	Ultimate parent	Sale	1,112,890	91	Based on contract terms	-	-	88,862	91	
TFN	TWM	Ultimate parent	Sale	4,885,923	43	Based on contract terms	-	-	515,962	55	(Note 1)
			Purchase	1,295,500	(Note 2)	Based on contract terms	-	-	(190,176)	(Note 3)	(Note 1)
	TFNM	Fellow subsidiary	Sale	151,223	1	Based on contract terms	-	-	40,427	4	
	TFN HK Ltd	Subsidiary	Purchase	108,561	2	Based on contract terms	-	-	(23,272)	8	
TFN HK Ltd	TFN	Parent	Sale	106,054	100	Based on contract terms	-	-	23,485	100	
TDS	TWM	Ultimate parent	Sale	6,502,874	70	Based on contract terms	-	-	10,524	100	
			Purchase	5,752,554	(Note 2)	Based on contract terms	-	-	-	-	
TKT	TWM	Ultimate parent	Sale	351,615	64	Based on contract terms	-	-	90,895	100	(Note 1)
TFNM	PCTV	Subsidiary	Channel leasing fee	470,704	15	Based on contract terms	(Note 4)	(Note 4)	-	-	
	YJCTV	Subsidiary	Channel leasing fee	425,376	13	Based on contract terms	(Note 4)	(Note 4)	-	-	
	UCTV	Subsidiary	Channel leasing fee	220,664	7	Based on contract terms	(Note 4)	(Note 4)	-	-	
	GCTV	Subsidiary	Channel leasing fee	183,942	6	Based on contract terms	(Note 4)	(Note 4)	-	-	
	TFN	Fellow subsidiary	Operating costs	146,644	12	Based on contract terms	-	-	(40,652)	17	
YJCTV	TFNM	Parent	Royalty for copyright	425,376	54	Based on contract terms	(Note 4)	(Note 4)	-	-	
PCTV	TFNM	Parent	Royalty for copyright	470,704	57	Based on contract terms	(Note 4)	(Note 4)	-	-	
UCTV	TFNM	Parent	Royalty for copyright	220,664	47	Based on contract terms	(Note 4)	(Note 4)	-	-	
GCTV	TFNM	Parent	Royalty for copyright	183,942	52	Based on contract terms	(Note 4)	(Note 4)	-	-	
MCTV	Dai-Ka Ltd.	Related party in substance	Royalty for copyright	154,494	50	Based on contract terms	(Note 4)	(Note 4)	(38,624)	89	
momo	TPE	Equity-method investee	Purchase	423,907	2	Based on contract terms	-	-	(37,142)	1	
	TWM	Ultimate parent	Purchase	97,986	1	Based on contract terms	-	-	(7,219)	-	

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: 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.

TABLE 6

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2015

(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	TFN	Subsidiary	Accounts receivable	\$ 190,176	5.54	\$ -	-	\$ 188,851	\$ -
			Other receivables	37,148		-	-	34,737	-
TCC	TWM	Parent	Other receivables	300,629		-	-	-	-
WMT	TWM	Parent	Other receivables	1,843,738		-	-	277	-
	TFNM	Subsidiary	Other receivables	2,080,068		-	-	8,456	-
TFN	TWM	Ultimate parent	Accounts receivable	515,962	10.61	-	-	464,933	-
			Other receivables	5,765,048		-	-	28,126	-
PCTV	TFNM	Parent	Accounts receivable	3,134	9.27	-	-	-	-
			Other receivables	520,013		-	-	-	-
GCTV	TFNM	Parent	Accounts receivable	1,372	9.17	-	-	-	-
			Other receivables	250,001		-	-	-	-
YJCTV	TFNM	Parent	Accounts receivable	3,332	8.59	-	-	-	-
			Other receivables	470,008		-	-	-	-

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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, 2015

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2015			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2015	December 31, 2014	Shares (Thousands)	Percentage of Ownership	Carrying Value			
TWM	TCC	Taiwan	Investment	\$ 40,397,288	\$ 41,872,288	502,970	100	\$ 20,858,534	\$ 4,257,853	\$ 2,672,114	Note 1
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,683,114	(79,785)	(39,813)	
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	20,612,389	2,652,454	2,652,454	
	ADT	Taiwan	Technology development of mobile payment and information processing services	30,000	30,000	3,000	13.33	16,009	(53,481)	(7,130)	
WMT	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,090,251	1,060,781	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	307,793	85,080	-	Note 2
	TFNM	Taiwan	Cable broadband and value added service provider	5,210,443	5,210,443	230,921	100	7,111,571	2,177,731	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	97,710	5,111	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	17,844	770	-	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	96,152	77,039	-	Note 2
GFMT	UCTV	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	16,157	130,593	-	Note 2
momo	Fu Sheng Travel Service Co., Ltd.	Taiwan	Travel agent	6,000	6,000	3,000	100	27,125	(9,252)	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	10,863	2,367	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	8,116	(781)	-	Note 2
	Asian Crown (BVI)	British Virgin Islands	Investment	789,864	789,864	26,500	76.26	35,628	(203,520)	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	415,597	123,465	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	142,776	142,776	31,150	35	161,491	82,381	-	Note 2
	Honest Development	Samoa	Investment	670,448	-	21,778	100	713,722	25,162	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,035,051	1,035,051	33,633	100	41,831	(203,533)	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,035,051	1,035,051	33,633	100	41,831	(203,533)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	-	16,600	100	713,722	25,162	-	Notes 2 and 4

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2015			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2015	December 31, 2014	Shares (Thousands)	Percentage of Ownership	Carrying Value			
TCC	TWM Holding	British Virgin Islands	Investment	\$ 347,951	\$ 347,951	-	100	\$ 265,537	\$ 6,367	\$ -	Notes 2 and 5
	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	51,109,538	3,588,109	-	Note 2
	TDC	Taiwan	Mobile phone wholesaling and TV program production	112,000	112,000	11,200	100	115,936	(303)	-	Note 2
	TCCI	Taiwan	Investment	17,285,441	17,785,441	154,721	100	27,580,364	179,271	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	103,900	61,313	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	1,000,000	2,500	100	504,341	409,948	-	Note 2
TT&T	TT&T Holdings	Samoa	Investment	36,284	36,284	1,300	100	54,418	2,134	-	Note 2
TCCI	TID.	Taiwan	Investment	3,602,782	3,602,782	104,712	100	7,639,235	(338)	-	Note 2
TFNM	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	2,231,310	163,890	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	650,195	104,987	-	Notes 2 and 6
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,431,406	213,621	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,101,684	130,593	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,273,618	77,039	-	Note 2
	TKT	Taiwan	Digital music service	129,900	129,900	12,000	100	299,345	53,242	-	Note 2
	Kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	277,574	20,141	-	Note 2
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	35,789,752	(215)	-	Note 2
	TFN HK Ltd.	Hong Kong	Telecommunications service provider	3,154	3,154	1,300	100	20,935	3,311	-	Note 2

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

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: For information on investment in Mainland China, see Table 9 for details.

Note 4: momo, through acquiring 100% equity of HK Yue Numerous, acquired 100% equity of Haobo and 20% equity of GHS.

Note 5: Held 1 share on December 31, 2015.

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

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars)

Number	Company Name	Counter Party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	TWM	momo	1	Accounts and notes receivable, net	\$ 9,384	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Accounts and notes receivable, net	7,222	"	-
		TFN	1	Other receivables	37,148	"	-
		UCTV	1	Other receivables	3,228	"	-
		TDS	1	Other receivables	2,303	"	-
		TNH	1	Other non-current assets	18,823	"	-
		TFN	1	Short-term borrowings	5,680,000	"	4
		WMT	1	Short-term borrowings	1,840,000	"	1
		TCC	1	Short-term borrowings	300,000	"	-
		TKT	1	Accounts payable	90,734	"	-
		TFN	1	Accounts payable	2,059	"	-
		TFN	1	Other payables	552,072	"	-
		TT&T	1	Other payables	88,851	"	-
		TDS	1	Other payables	13,303	"	-
		WMT	1	Other payables	3,738	"	-
		TKT	1	Other payables	2,451	"	-
		TNH	1	Other payables	1,981	"	-
		YJCTV	1	Other payables	1,307	"	-
		TFN	1	Other current liabilities	40,169	"	-
		momo	1	Other current liabilities	3,825	"	-
		TKT	1	Other current liabilities	2,056	"	-
		TKT	1	Disposal of property, plant, and equipment	9,368	"	-
		UCTV	1	Disposal of property, plant, and equipment	3,043	"	-
		TDS	1	Acquisition of property, plant and equipment	77,564	"	-
		TDS	1	Operating revenues	5,752,554	"	5
		TFN	1	Operating revenues	1,295,500	"	1
		momo	1	Operating revenues	101,755	"	-
		YJCTV	1	Operating revenues	2,119	"	-
		PCTV	1	Operating revenues	1,870	"	-
		UCTV	1	Operating revenues	1,466	"	-
		TKT	1	Operating revenues	1,397	"	-
		GCTV	1	Operating revenues	1,157	"	-
		TFNM	1	Operating revenues	1,058	"	-
		TFN	1	Operating costs	4,862,699	"	4
		TKT	1	Operating costs	351,544	"	-
		TNH	1	Operating costs	30,399	"	-

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets	
				Account	Amount	Transaction Terms		
		TFNM	1	Operating costs	\$ 11,078	The terms of transaction are determined in accordance with mutual agreements or general business practices	-	
		YJCTV	1	Operating costs	7,287		"	-
		GCTV	1	Operating costs	3,037		"	-
		MCTV	1	Operating costs	1,239		"	-
		TDS	1	Realized gain on sales	45,632		"	-
		TT&T	1	Operating expenses	1,112,810		"	1
		TNH	1	Operating expenses	74,416		"	-
		TFN	1	Operating expenses	60,986		"	-
		TCCI	1	Operating expenses	6,337		"	-
		momo	1	Other income	41,535		"	-
		TFN	1	Other income	37,427		"	-
		TDS	1	Other income	3,695		"	-
		TFN	1	Finance costs	90,235		"	-
		WMT	1	Finance costs	23,669		"	-
		TCC	1	Finance costs	3,846	"	-	
1	WMT	TFNM	1	Other receivables	2,080,068	"	1	
		WTVB	1	Other receivables	20,068	"	-	
		TFNM	1	Other income	23,193	"	-	
		WTVB	1	Other income	2,430	"	-	
2	momo	FST	1	Accounts and notes receivable, net	29,830	"	-	
		FST	1	Operating revenues	24,987	"	-	
		TFNM	3	Operating costs	95,019	"	-	
		MCTV	3	Operating costs	9,541	"	-	
		TT&T	3	Operating costs	3,440	"	-	
		WTVB	3	Operating costs	1,638	"	-	
		PCTV	3	Operating costs	1,125	"	-	
3	TFNM	YJCTV	1	Accounts and notes receivable, net	35,484	"	-	
		PCTV	1	Accounts and notes receivable, net	33,219	"	-	
		UCTV	1	Accounts and notes receivable, net	21,996	"	-	
		GCTV	1	Accounts and notes receivable, net	14,535	"	-	
		MCTV	1	Accounts and notes receivable, net	13,070	"	-	
		PCTV	1	Short-term borrowings	520,000	"	-	
		YJCTV	1	Short-term borrowings	470,000	"	-	
		GCTV	1	Short-term borrowings	250,000	"	-	
		YJCTV	1	Accounts payable	1,492	"	-	
		PCTV	1	Accounts payable	1,446	"	-	
		WTVB	3	Other payables	70,823	"	-	
		YJCTV	1	Other payables	1,847	"	-	

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets	
				Account	Amount	Transaction Terms		
		PCTV	1	Other payables	\$ 1,699	The terms of transaction are determined in accordance with mutual agreements or general business practices	-	
		UCTV	1	Other payables	1,206		"	-
		PCTV	1	Operating revenues	512,544		"	-
		YJCTV	1	Operating revenues	462,953		"	-
		UCTV	1	Operating revenues	220,664		"	-
		GCTV	1	Operating revenues	200,708		"	-
		MCTV	1	Operating revenues	15,067		"	-
		WTVB	3	Operating revenues	1,321		"	-
		WTVB	3	Operating costs	75,972		"	-
		PCTV	1	Operating costs	35,789		"	-
		YJCTV	1	Operating costs	34,731		"	-
		UCTV	1	Operating costs	22,503		"	-
		GCTV	1	Operating costs	14,497		"	-
		MCTV	1	Operating costs	7,254		"	-
		YJCTV	1	Operating expenses	3,165		"	-
		PCTV	1	Operating expenses	2,294		"	-
		UCTV	1	Operating expenses	1,943		"	-
		GCTV	1	Operating expenses	1,916		"	-
		MCTV	1	Operating expenses	1,564		"	-
		PCTV	1	Finance costs	6,800		"	-
		YJCTV	1	Finance costs	5,355	"	-	
		GCTV	1	Finance costs	3,258	"	-	
4	TFN	TFNM	3	Accounts and notes receivable, net	41,230	"	-	
		TFN HK Ltd.	1	Other receivables	23,272	"	-	
		TT&T	3	Other receivables	8,503	"	-	
		TFNM	3	Operating revenues	151,223	"	-	
		momo	3	Operating revenues	8,038	"	-	
		TKT	3	Operating revenues	4,933	"	-	
		PCTV	3	Operating revenues	4,867	"	-	
		UCTV	3	Operating revenues	4,138	"	-	
		MCTV	3	Operating revenues	2,168	"	-	
		YJCTV	3	Operating revenues	1,593	"	-	
		GCTV	3	Operating revenues	1,457	"	-	
		TFN HK Ltd.	1	Operating costs	108,561	"	-	
		UCTV	3	Operating costs	1,769	"	-	
		YJCTV	3	Operating costs	1,723	"	-	
		TT&T	3	Operating expenses	97,500	"	-	
		TNH	3	Operating expenses	27,665	"	-	
		WTVB	3	Other income	5,568	"	-	
5	TT&T	TKT	3	Operating revenues	2,647	"	-	

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
6	TDS	TWM TNH TNH	2	Operating revenues	\$ 6,502,874	The terms of transaction are determined in accordance with mutual agreements or general business practices " "	6
			3	Operating costs	1,323		-
			3	Operating expenses	24,011		-
7	TKT	TNH TNH	3	Other non-current assets	1,106	"	-
			3	Operating costs	1,159	"	-

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

Note 2: All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015	Note
					Outflow	Inflow							
Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis and development of CRM application and information consulting services	\$ -	b	\$ 42,718	\$ -	\$ -	\$ 42,718	\$ -	100	\$ -	\$ -	\$ -	Note 2
TWMC	Mobile application development and design	98,580	b	160,094	-	-	160,094	5	100	5	111,999	-	
FGE	Wholesaling	1,144,250	b	807,001	-	-	807,001	(222,815)	69.63	(155,146)	31,517	-	
Haobo	Investment	54,725	b	-	-	-	-	25,162	100	25,162	713,722	-	Note 3
GHS	Wholesaling	65,033	b	-	-	-	-	310,641	18	25,263	713,691	-	Note 3

Company	Accumulated Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
TWM and subsidiaries	\$1,724,250	\$1,808,149	\$39,175,034

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

Note 3: momo, through Honest Development acquired HK Yue Numerous, its subsidiary, Haobo, and the associate, GHS at \$670,448 thousand.

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



 **Taiwan Mobile**