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Taiwan Mobile

2018 Annual Report

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Listing of Foreign Securities	None	

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Letter to shareholders

Dear Shareholders,

Inspired by the concept of “embracing change, setting new trends,” Taiwan Mobile (“TWM”, or “the Company”) has continued to evolve over the years. In 2018, the Company focused on bringing innovation to smart living – deploying technology to enhance the user experience on the internet, as well as in entertainment and online shopping. Synergy was achieved from forward-looking business planning, while the highest standards were applied to corporate governance, shareholder value, customer satisfaction and corporate social responsibility.

Creating a better life experience with technology

Taiwan Mobile was the first in Taiwan to launch a “red envelope” mobile payment feature through its M+ messenger and is making forays into online only banking. The Company made significant advances in the fields of internet of things (IoT), artificial intelligence (AI) and cloud services. Aside from establishing its own IoT ecosystem, Taiwan Mobile teamed up with Quanta Computer and Asustek Computer to form an “A team” that successfully built a national AI cloud platform, forging the largest Data Mart and AI Training Model Marketplace in the nation. TWM’s cloud service business also collaborated with Microsoft to launch the first Azure Stack public cloud operating service in Taiwan. These have allowed individuals or business users to enjoy the convenience and better quality of life that technology brings.

Visionary business roadmap

Thanks to its extensive digital convergence services and leading position in B2C e-commerce, TWM has developed a diversified business development plan to facilitate business synergies and new business promotions. Aside from continuing to market mobile value-added services, such as over-the-top (OTT) media services and mobile phone insurance, as part of its core telecom business, TWM has enhanced its enterprise solutions and integrated its cable TV and retail business resources to enable cross-selling, digital media content integration and sales channel collaboration.

World-class corporate governance

Taiwan Mobile has striven to be a role model in corporate sustainability, with the Company once again receiving numerous commendations for its efforts in the past year. TWM was selected by RobecoSAM, a leading international sustainability investment specialist, for inclusion in its “2018 Sustainability Yearbook,” receiving a Silver Class award. The Company was also included in the Dow Jones Sustainability Indices (DJSI) Emerging Markets Index for the seventh consecutive year and in the DJSI World Index for the second time, grabbing the No. 1 spot for the first time in the global telecommunications sector.

Valuing customer satisfaction and shareholders' interests

Taiwan Mobile has created solid returns for its shareholders by maintaining a cash dividend yield of around 5% in recent years through a calibrated spectrum investment strategy and prudent capital expenditure, while earning widespread recognition for its excellent customer service. In 2018, TWM received the Best Customer Service Center award at the Customer Service Excellence Awards by the Taiwan Contact Center Development Association. Its TWM Customer Service App was also selected as a finalist for the Best Customer Service Award at the Asia Communication Awards and was the only telecom customer service app nominated at the World Communication Awards.

Corporate social responsibility

As a national telecom industry leader, it is our duty not only to continue to pursue solid operational and financial performances, but also to share the benefits of our steady growth over the years with society. TWM takes pride in winning its 12th Corporate Social Responsibility Award from *Global Views Monthly* and its 11th Excellence in Corporate Social Responsibility Award from *CommonWealth Magazine*, where it distinguished itself as the only telecom operator in the top 10 large enterprises category. TWM earned further distinction by receiving eight awards at the 2018 Taiwan Corporate Sustainability Awards and was the only telecom operator honored with the Most Prestigious Sustainability Award – Top 10 Domestic Corporations.

In addition to setting a corporate vision and strategic goals, we believe that execution, introspection and improvement are the keys to our future growth.

2018 operating and financial results

With synergy from business diversification and effective cost control, operating cash flow was stable. Free cash flow in 2018 increased from a year ago, offsetting negative impacts from industry competition, lower interconnecting revenue and weaker demand for high-end smartphones. In 2018, the Company reported consolidated revenue of NT$118.7 billion, EBITDA of NT$31.7 billion and net profit of NT$13.6 billion. Earnings per share of NT$5.01 were in line with management guidance and, for the seventh consecutive year, were the highest among domestic peers. On the research-and-development front, TWM's team significantly reduced interference in 5G massive machine-type communications. Applying the research results to products and value-added services, such as user credit line and intelligent virtual assistant utilizing AI technology, is already in progress.

Outlook

With the termination of 3G services, the telecommunications industry has firmly entered the 4G era and is ready to welcome the arrival of 5G. Smart living and digital economy are target areas for future growth. In addition to continuous efforts to raise average revenue per user (ARPU), we aim to deepen our relationship with enterprise users to seize cloud and IoT opportunities, as well as expand the scale of our e-commerce operations in order to maintain our market leadership. We also plan to leverage group resources, along with enhanced sales channels and a better product mix, to create differentiated products and services that increase our competitiveness in the market.

We plan to accelerate the development of our 5G business model and AI-related technology and services in order to promote AI innovation, value-added services and applications. By exploring multiple opportunities, we will find new profit engines, while bringing convenience and entertainment value to smart living for our customers.

Daniel M. Tsai

Chairman

Chapter 1 Company Highlights

Vision

Moving towards its 22nd anniversary, Taiwan Mobile ("TWM") not only sets a new corporate standard but also shifts from a traditional telecommunications operator into an integrated technology, media and telecommunications company to meet the innovations and challenges of the IoT, AI and 5G era. Going forward, TWM will continue to apply its 6C strategy by actively embracing technologies that will facilitate innovation and help it face the challenges of a digital economy, while adopting its 5"G"+ strategy (Gift – digital transformation based on in-house big data, user base, and online-offline channel operations; Group – more synergy with momo, AppWorks and other strategic partners; Grit – long-term vision of an ecosystem beyond 5G; Green – environmental awareness and corporate sustainability; GSEA(Greater South East Asia)– expanding footholds in South East Asia to become a regional enterprise).

TWM is focused on promoting world-class sustainability management by adhering to the philosophy of "Think Sustainable, Act Responsible." TWM will strive to advance its "Zetta Connected 2030" Project to enhance corporate governance, environmental sustainability and social collaboration to create the best value for its shareholders, employees and the public, and to continue to lead cross-generational dialogues to boost Taiwan's international competitiveness.

Core Competency

Taiwan Mobile applies its core 6C -- Coverage/Convergence/Content/Channel/Cloud/CSR – strategy to provide customers with the best service quality via the fastest network speed and the widest coverage, exploits its advantages by fully integrating Fubon Group's resources, maintains its leadership in the market through its creative "my" apps, and develops AI/Big Data/IoT/IoV and cloud services, as well as 5G technology and applications, and the 5"G"+ strategy, to create multiple and diverse business opportunities.

A model for international standards in corporate sustainability, TWM was the first company in Taiwan to comply with the 17 targets of the UN Sustainable Development Goals. The Company was also selected as a constituent of the Dow Jones Sustainability World Indices (DJSI World) for two years in a row, ranking first in the telecommunications industry.

Brand Value

As Taiwan Mobile will soon mark its 22nd anniversary, the Company has not forgotten where it started and is now embracing change, striving to shape a brighter future for all of our stakeholders. To welcome the new connected era of 5G, and aspiring to become an international sustainable corporation, TWM is proactively integrating all core knowledge and resources. As its CSR Blueprint "Zetta Connected 2030" suggests, the Company aims to create seven crucial values for stakeholders: ethical operation, sustainable partnerships, brand excellence, innovative accomplishments, environmental sustainability, a happy workplace and social inclusion. In doing so, the Company aspires to build a sustainable value chain and make the most positive impact on our brand.

Innovation and change are integral components of the Company's transformation, and they will be the keys to supporting its entry into a new era. Preparing for its 5G transformation, the Company is leveraging integration with the Fubon Group and utilizing the abundant resources of its partners to build industrial internet-of things (IIoT), artificial internet-of-things (AIoT) and AI supercomputers, while creating a cloud platform. Apart from preparing for the transition to 5G in 2020, these initiatives also offer a diversity of approaches in how we use technology in our daily lives, from communication and banking to environmental quality monitoring management. For example, M+ (Mobile is your Desktop Phone) forms our mobile extension service, while M+ Red Envelope and MyAir pocket PM2.5 detectors are products of IoT and cloud technology. These innovations are giving consumers brand new experiences in their technological lives.

Taiwan Mobile is also actively constructing a multimedia streaming platform, where it will product its own programs and combine myVideo/myMusic/myBook with new content services. In this way, consumers will be able to enjoy an all-around multimedia experience. The Company is proud to be the leader of sustainable digital streaming providers, as it diversifies into the four business areas of T.I.M.E. (Telecom, Internet, Media & Entertainment, and E-commerce). This should entice clients and our stakeholders into a brand new technological experience and facilitate the Company's leap into the new digital era.

Starting with technology and human nature and welcoming the ever-changing 5G era, Taiwan Mobile will continue to have "Innovation" as the core value of the company and to adopt the 5"G"+ strategy, as it continues to aim for the maximization of its values and bring a brighter future to its stakeholders.

Date of Incorporation

The Company was founded on February 25, 1997.

Awards and recognitions from 2018 up to the publication date in 2019

January	2019	Received a Silver Class Distinction from sustainability investment specialist RobecoSAM in its 2019 yearbook.
December	2018	First Taiwanese telecommunications company rated Prime by ISS-oekom.
December	2018	Received internationally renowned Swiss firm SGS' Qualicert certification for its direct stores channel, myfone and customer services for the seventh time in a row.
December	2018	Two myfone store managers honored with Excellence Store Manager Awards by the Taiwan Chain Stores and Franchise Association.
December	2018	Received the top award for 2018 Buying Power – Social Innovation Products and Services Purchase Reward Program by the Small and Medium Enterprise Administration, Ministry of Economic Affairs.

November	2018	Received eight awards at the 2018 Taiwan Corporate Sustainability Awards: corporate sustainability, transparency and integrity, social inclusion, climate leadership, people development, creativity in communication, top 50 corporate sustainability reports (platinum award in the ICT sector), and the most prestigious Top 10 Models for Corporate Sustainability.
September	2018	Selected as a constituent of the Dow Jones Sustainability World Indices (DJSI World), ranking first in the global telecommunications sector.
September	2018	Received the Sponsorship Award Gold Class at the 2018 Sports Promoter Awards from the Sports Administration, Ministry of Education.
August	2018	The only telecommunications company recognized for Excellence in Corporate Social Responsibility by *CommonWealth* magazine.
June	2018	Received the following commendations at the 2018 Asian Excellence Award – Best Investor Relations Company and Best CFO – from *Corporate Governance Asia* magazine.
May	2018	Ranked among the top 5% of listed companies in a Corporate Governance Evaluation conducted by the Taiwan Stock Exchange and Taipei Exchange for the fourth consecutive year.
May	2018	Received a Model Prize at the 2018 CSR Awards' Annual CSR Survey – Service Section by the *Global Views* magazine.
January	2018	Selected as a constituent of ECPI Index Certificate 2017.
January	2018	Received a Silver Class award from sustainability investment specialist RobecoSAM in its 2018 yearbook.

Milestones

January	2019	President James Jeng retired on March 31st. At the 12th meeting, the 8th Board of Directors approved the appointment of Jamie Lin as the president, effective April 1st.
January	2019	TWM showcased "True 5G" equipment", being the first in Taiwan to conduct an outdoor field test on the 3.5GHz band (which complies with 3GPP R15 specifications).
September	2018	myVideo collaborated with Kbro to produce its first original drama – "A Taiwanese Tale of Two Cities."
July	2018	Taiwan Mobile built the first Pre-5G smart stadium nationwide, while Kbro launched the first 4K professional baseball live broadcast.

June	2018	Formed a National AI “A Team” with Asustek Computer and Quanta Computer.
March	2018	Collaborated with 50 leading domestic and international companies to build a “Grand IoT Ecosystem.”
December	2017	Teamed up with Taipei Fubon Bank to launch the first digital “red envelope” in Taiwan by integrating M+ Messenger and mobile internet banking to provide mobile payment via instant messenger.
November	2017	Received 3 million circuit numbers for IoT use from the National Communications Commission (NCC), thus officially beginning its IoT era.
November	2017	Collaborated with Taipei Fubon Bank and EasyCard Corp to launch a Taiwan Mobile co-branded credit card.”
October	2017	TWM and Fubon Group announced their strategic partnership with worldwide entertainment and sports agency Creative Artists Agency (CAA) Hollywood, CAA China and CMC Capital Partners (CMC), China’s leading media and entertainment investment and operating platform.
June	2017	Daniel M. Tsai and Richard M. Tsai were elected Chairman and Vice Chairman, respectively, at the 1st meeting of the eighth Board of Directors.
October	2016	Daniel M. Tsai and Richard M. Tsai were elected Chairman and Vice Chairman, respectively, at the 13th meeting of the seventh Board of Directors.
March	2016	Joined the Global e-Sustainability Initiative, making TWM the first Taiwanese and the third Asian firm to become a member.
February	2016	First Taiwanese telecom operator to showcase its SIM Management Platform and Global eSIM application at the Mobile World Congress.
January	2016	Launched mobile payment service Wali.
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 1st meeting of the seventh Board of Directors.
January	2014	James Jeng was appointed President at the 16th meeting of the sixth Board of Directors.
November	2013	TWM’s 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 4G auction, one in the 700MHz (spectrum A4) band and another in the 1800MHz (spectrum C1) band.
November	2012	Launched mobile video service myVideo.

May	2012	Launched instant messaging service M+ messenger.
August	2011	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 1st 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 17th 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.
September	2008	TransAsia Telecommunications (TAT) and Mobitai Communications were officially merged into TWM.
June	2008	Richard M. Tsai and Daniel M. Tsai were re-elected Chairman and Vice Chairman, respectively, at the 1st 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 telecom 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 TTN 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 10th meeting of the fourth Board of Directors.
June	2005	Daniel M. Tsai and Richard M. Tsai were re-elected Chairman and Vice Chairman, respectively, at the 1st 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 in December 2007.

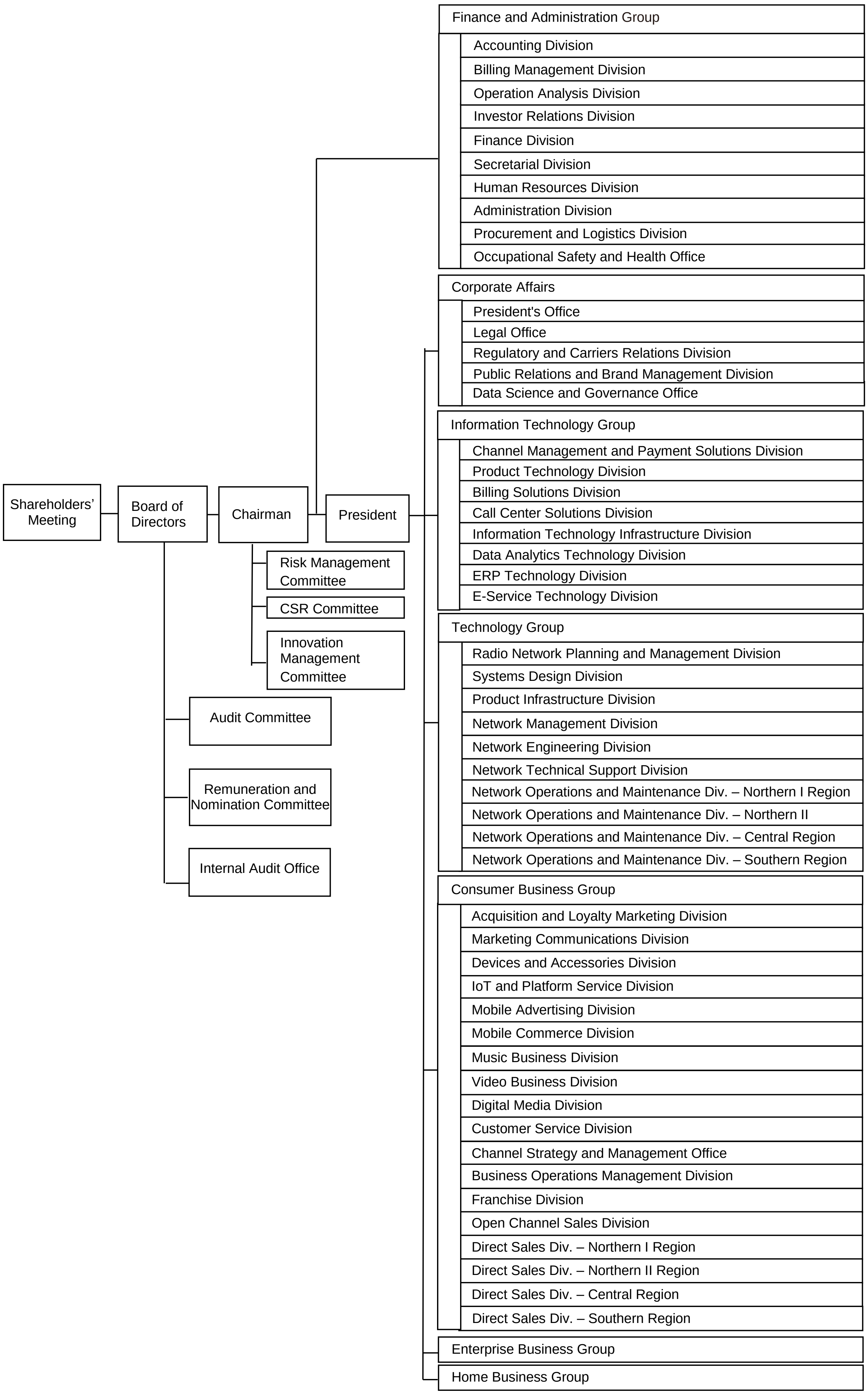
July	2003	Harvey Chang was appointed President and CEO at the 15th meeting of the third Board of Directors.
July	2003	Daniel M. Tsai and Richard M. Tsai were elected Chairman and Vice Chairman, respectively, at the 2nd meeting of the third Board of Managing Directors.
August	2002	Listed on the Taiwan Stock Exchange.
May	2002	C. S. Chen was appointed President at the 2nd 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 1st 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 8th 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 1st meeting of the second Board of Directors.
January	1998	Started commercial operations.
December	1997	First nationwide private operator to obtain a GSM 1800 network operating license.
February	1997	Company was incorporated.
January	1997	Jack T. Sun and Joseph Lee were elected Chairman and Vice Chairman, respectively, while Lai-Ting Zou was appointed President at the 1st meeting of the 1st Board of Directors.
May	1996	Prepared for the Company's incorporation.

Chapter 2 Organization and Corporate Governance

Organization

Organization Chart

As of February 25, 2019



Divisional Scope of Responsibilities

Division		Scope of responsibilities
Internal Audit Office		Audit of the Company and its subsidiaries Handle employee and supplier complaints Risk Management Committee operations
Corporate Affairs	President's Office	Corporate strategy and project management Develop new businesses and strategic alliances Enhance corporate management mechanism and cross-department project management Carry out information security management system planning and deployment, as well as monitor improvements
	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	Brand management, media communication, corporate social responsibility, sponsorships, and TWM Foundation and corporate website management
	Data Science and Governance Office	Enhance data collection, definition, storage, management and application efficiency and quality
Finance and Administration Group	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 and benefit analysis, and financial forecasts/annual budget review
	Investor Relations Division	Maintain two-way communication between the Company and investors wherein the Company regularly provides timely disclosure of its operations, financial status, business strategy and future business developments
	Finance Division	Treasury management Monitor investments and subsidiaries' business activities Finance-related project evaluation, planning and execution
	Secretarial Division	Corporate governance affairs, board and shareholders' meetings, and corporate registration affairs 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 Procurement-related activities and contract signing Supplier management
	Occupational Safety and Health Office	Occupational safety and health management Workplace health promotion

Division		Scope of responsibilities
Information Technology Group	Channel Management and Payment Solutions Division	Sales, channel services and commission system solutions Enterprise management information system solutions Members' center and payment service solutions
	Product Technology Division	Technical consultation and solution analysis for innovative services and customer premises equipment (CPE) technologies Solutions design, systems development and delivery for innovative services and marketing promotions
	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
	Information Technology Infrastructure Division	Data center, systems and network infrastructure construction and operations management Implementation of information security policy
	Data Analytics Technology Division	Data analytics system solutions, including data warehouse, data science and business intelligence solutions System solutions for management of network assets, warehousing, maintenance and repair, and customer experience
	ERP Technology Division	Customer care application systems Enterprise resource planning (ERP) and human resources solutions Front-end customer management, sales management, and supply and order solutions for fixed-line business
	E-Service Technology Division	Corporate website, e-service systems (e-store/myfone shopping), IoT platform 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
Technology Group	Radio Network Planning and Management Division	Radio network strategy development and planning Site planning and performance management Radio network quality management
	Systems Design Division	Plan and design core, IP and transmission network systems for mobile and fixed networks Verification testing of network elements
	Product Infrastructure Division	Design, build and operate: - Cloud internet data center (IDC) - Cloud computing services – Infrastructure as a Service (IaaS) and Platform as a Service (PaaS) - Infrastructure of 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
	Network Engineering Division	Mobile telecom and fixed-network business' infrastructure budget, and engineering and construction project outsourcing 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 Division– Northern I, Northern II, Central and Southern Regions	Mobile and fixed-network construction, expansion, operation, maintenance and optimization, including core, transmission and radio networks Network construction management and technical support

Division		Scope of responsibilities
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 Develop strategy prepaid business Conduct customer analysis and market surveys
	Marketing Communications Division	Manage TWM Group corporate and brand identity, brand strategy development and marketing communications Develop and manage store signage/interior design, and brand and marketing communication activities Integrate and operate company website, including digital marketing communication, online sales and services
	Devices and Accessories Division	Devices planning and management Accessories and revenue sources development Handset sales and distribution
	IoT and Platform Service Division	Develop and launch innovative consumer IoT services to capture future opportunities Build market-leading service platforms, including an enterprise instant messenger, a content portal and big data marketing tools Improve user experience for Taiwan Mobile app and mySports app to enhance customer value and contribution
	Mobile Advertising Division	Provide mobile advertising solutions based on big data analysis
	Mobile Commerce Division	Develop and manage mobile commerce and payment businesses myfone shopping focuses on 3C products and provides alternative bundle options to subscribers via e-commerce data analysis and logistic support. Wali app: Payment and membership services, including exclusive deals/benefits for members
	Music Business Division	myMusic business management, strategic planning, product development, marketing and operations
	Video Business Division	myVideo business management, strategic planning, product development, marketing and operations
	Digital Media Division	Strategic planning, product development, marketing and business operations for innovative digital content services Direct carrier billing business and gaming social platform operations Legacy VAS business management and quality assurance
	Customer Service Division	Customer service and call center management Telemarketing sales and customer retention
	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 Sales channel resources management and commission/awards calculation
	Franchise Division	Supervision of franchisees' product promotions, distribution and customer service
	Open Channel Sales Division	Open channel development, distribution and management of postpaid/prepaid products
	Direct Sales Division – Northern I, Northern II, Central and Southern Regions	Product sales, customer service and project execution at company stores

Division	Scope of responsibilities
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 to develop new products and VAS so as 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. Composed of nine experienced directors, the board includes four independent directors who are well-known in the legal, financial, telecommunications and e-commerce/marketing 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 Eighth Board of Directors (Note 1) is detailed below:

As of February 25, 2019

Title	Name	Gender	Date elected	Term expires	Shareholding when elected		Current shareholding		Spouse's/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 Investment Co., Ltd. Representative: Daniel M. Tsai	Male	2017.06.14	2020.06.13	5,748,763	0.168	5,748,763 *65,162,715 (Note 2)	0.168 *1.902	4,580,070	0.134	LLM, Georgetown University LLB, National Taiwan University Chairman, Fubon Financial Holding Co., Ltd. Chairman, Taipei Fubon Commercial Bank Co., Ltd. Chairman, Fubon Insurance Co., Ltd.	Director, Fubon Financial Holding Co., Ltd. Managing Director, Taipei Fubon Commercial Bank Co., Ltd. Chairman, Fubon Bank (Hong Kong) Ltd. Director, Fubon Bank (China) Co., Ltd. Director, Fubon Financial Holding Venture Capital Corp. Chairman, Fubon Sports & Entertainment Co., Ltd. Chairman, Ming Dong Co., Ltd. Chairman, Dao Ying Co., Ltd. Chairman, Tien Chien Co., Ltd. Chairman, Ti Kun Co., Ltd. Chairman, Hsi Po Lai Co., Ltd. Chairman, Yi Fu So Co., Ltd. Chairman, Chung Shing Development Co., Ltd. Chairman, Fubon Realtors Co., Ltd. Director, Fubon Construction Co., Ltd. Chairman, Kuo Chi Investment Co., Ltd. Chairman, Dun Fu Co., Ltd. Director, Lucky Way Ltd. Director, Rainbow Cheer Ltd. Director, Key Gain Ltd. Director, Ultimate Epoch Ltd. Director, Orientland International Ltd. Director, Oceana Glory Ltd. Director, Eagle Legacy Ltd. Director, DRJ Development Ltd. Director, Globotex International Ltd. Director, Cosgrove Global Ltd. Director, Vantage Horizon Global Ltd. Director, Star Top Ventures Co., Ltd. Director, Primerose Development Group Ltd. Director, Giver Concept Ltd. Chairman, Taiwan Cellular Co., Ltd. Chairman, Wealth Media Technology Co., Ltd. Chairman, Taipei New Horizon Co., Ltd. Chairman, Taiwan Fixed Network Co., Ltd. Director, Taiwan Teleservices & Technologies Co., Ltd. Chairman, TCC Investment Co., Ltd. Director, Taiwan Digital Communications Co., Ltd. Director, Taiwan Digital Service Co., Ltd. Chairman, Taihsin Property Insurance Agent Co., Ltd. Chairman, TFN Media Co., Ltd. Director, Win TV Broadcasting Co., Ltd. Chairman, TFN Union Investment Co., Ltd. Chairman, TCCI Investment and Development Co., Ltd.	Director	Richard M. Tsai	Brother

Title	Name	Gender	Date elected	Term expires	Shareholding when elected		Current shareholding		Spouse's/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 Investment Co., Ltd. Representative: Richard M. Tsai (Note 3)	Male	2017.06.14	2020.06.13	5,748,763	0.168	5,748,763 *93,310,663	0.168 *2.723	5,086,496	0.148	MBA, Stern School of Business, New York University BBA, National Taiwan University Vice Chairman, Fubon Financial Holding Co., Ltd. Chairman, Fubon Securities Co., Ltd. Vice Chairman, Taipei Fubon Commercial Bank Co., Ltd.	Chairman, Fubon Financial Holding Co., Ltd. Chairman, Fubon Life Insurance Co., Ltd. Vice Chairman, Fubon Bank (Hong Kong) Ltd. Director, Ming Dong Co., Ltd. Director, Dao Ying Co., Ltd. Director, Tien Chien Co., Ltd. Director, Ti Kun Co., Ltd. Director, Hsi Po Lai Co., Ltd. Director, Yi Fu So Co., Ltd. Director, Colossians Co., Ltd. Director, Chung Shing Development Co., Ltd. Director, Fubon Realtors Co., Ltd. Director, Fubon Construction Co., Ltd. Director, Kuo Chi Investment Co., Ltd. Director, Good TV Broadcasting Corp. Director, Cho Pharma, Inc. Director, International Advisory Board of the New York Philharmonic Director, Carnegie Hall Corp. Director, Lucky Way Ltd. Director, Rainbow Cheer Ltd. Director, Key Gain Ltd. Director, Ultimate Epoch Ltd. Director, Orientland International Ltd. Director, Oceana Glory Ltd. Director, Eagle Legacy Ltd. Director, DRJ Development Ltd. Director, Globotex International Ltd. Director, Cosgrove Global Ltd. Director, Vantage Horizon Global Ltd. Director, Total Formation Inc. Director, Star Top Ventures Co., Ltd. Director, Castle Lion Investments Ltd. Director, Taiwan Cellular Co., Ltd. Director, Wealth Media Technology Co., Ltd. Director, Taiwan Fixed Network Co., Ltd. Director, TCC Investment Co., Ltd. Director, Taiwan Digital Communications Co., Ltd. Director, Taiwan Digital Service Co., Ltd. Director, TFN Media Co., Ltd. Director, Win TV Broadcasting Co., Ltd. Director, TFN Union Investment Co., Ltd. Director, TCCI Investment and Development Co., Ltd.	Chairman	Daniel M. Tsai	Brother
Director	Fu Chi Investment Co., Ltd. Representative: San-Cheng Chang	Male	2017.06.14	2020.06.13	5,748,763	0.168	5,748,763 *–	0.168 *–	–	–	PhD in Civil and Environmental Engineering, Cornell University MS in Civil and Environmental Engineering, Stanford University BS in Civil Engineering, National Taiwan University	Independent Director, Winbond Electronics Corp. Independent Director, Acer Inc. Director, Xue Xue Co. Honorary Dean, School of Big Data Management, Soochow University Dean, Hacker College, National Chiao Tung University Visiting Professor, Department of Technology Management and College of Computer Science and Information Engineering, Chung Hua University Honorary Professor, St. John's University Honorary Professor, National Taipei University of Business	–	–	–

Title	Name	Gender	Date elected	Term expires	Shareholding when elected		Current shareholding		Spouse's/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	TCC Investment Co., Ltd. Representative: Howard Lin (Note 4)	Male	2017.06.14	2020.06.13	200,496,761	5.852	200,496,761 *–	5.852 *–	–	–	PhD in Chemical Engineering, National Taiwan University Senior Vice President, Fubon Financial Holding Co., Ltd. President, Fubon Asset Management Co., Ltd. Manager, Technical & Development Dept., Grand Pacific Petrochemical Corp. Chairman, momo.com Inc.	Director and Chief Investment Officer, Fubon Financial Holding Co., Ltd. Vice Chairman, Fubon Life Insurance Co., Ltd. Director, Fubon Asset Management Co., Ltd. Director, Fubon Health Management Corp. Director, Fu Yi Health Management Corp. Ltd.	–	–	–
Director	TCC Investment Co., Ltd. Representative: James Jeng	Male	2017.06.14	2020.06.13	200,496,761	5.852	200,496,761 *–	5.852 *–	–	–	PhD and MS in Electrical and Computer Engineering, State University of New York BS in Electrical Engineering, National Cheng Kung University Chairman and CEO, Kbro Co., Ltd. Chief Technology Officer and Chief Operating Officer, 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. Director, TWM Holding Co. Ltd. Director and President, TCC Investment Co., Ltd. Chairman and President, Taiwan Digital Communications Co., Ltd. Chairman, Taiwan Digital Service Co., Ltd. Director, Taihsin Property Insurance Agent Co., Ltd. Chairman, Tai-Fu Cloud Technology Co., Ltd. Director and President, TFN Media Co., Ltd. Chairman and President, Global Forest Media Technology Co., Ltd. Chairman and President, Global Wealth Media Technology Co., Ltd. Chairman, Win TV Broadcasting Co., Ltd. Director, momo.com Inc. Director and President, TFN Union Investment Co., Ltd. Director, TFN HK Ltd. Chairman and President, TWM Communications (Beijing) Co., Ltd. Director and President, TCCI Investment and Development 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.	–	–	–
Independent Director	Jack J.T. Huang	Male	2017.06.14	2020.06.13	–	–	–	–	–	–	SJD, Harvard University LLM, Northwestern University LLB, National Taiwan University Partner-in-charge, Jones Day	Chairman of Remuneration and Nomination Committee and Member of Audit Committee, Taiwan Mobile Co., Ltd. Partner, Jones Day Independent Director, WPG Holdings Independent Director, Systex Corp. Independent Director, CTCI Corp. Director, Yulon Motor Co., Ltd. Director, Taiwania Capital Management Co., Ltd. Director, Taiwania Capital Buffalo Fund Co., Ltd. Director, Taiwania Capital Biotechnology Co., Ltd.	–	–	–

Title	Name	Gender	Date elected	Term expires	Shareholding when elected		Current shareholding		Spouse's/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
Independent Director	Hsueh-Jen Sung	Male	2017.06.14	2020.06.13	–	–	–	–	–	–	MBA, Harvard University MBA, National Chengchi University BS in Management 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.	Chairman of Audit Committee and Member of Remuneration and Nomination Committee, Taiwan Mobile Co., Ltd. Chairman, Vaucluse Capital Management Ltd. Chairman, Shin Chiuan Capital Management Ltd. Director, Hon Hai Precision Industry Co., Ltd. Director, United Integrated Service Co., Ltd.	–	–	–
Independent Director	Char-Dir Chung	Male	2017.06.14	2020.06.13	–	–	–	–	–	–	PhD and MS in Electrical Engineering, University of Southern California BS in Electrical Engineering, National Taiwan University Minister without Portfolio, Executive Yuan Member / Deputy Convener / Executive Secretary, Board of Science and Technology, Executive Yuan Member / Deputy Convener / Executive Secretary, National Information and Communications Initiative Committee, Executive Yuan Deputy Executive Secretary, Science and Technology Advisory Group, Executive Yuan SIS Chair Professor, National Taiwan University Chairman, Department of Communication Engineering, National Central University Director, Graduate Institute of Communication Engineering, National Central University	Member of Audit Committee and Remuneration and Nomination Committee, Taiwan Mobile Co., Ltd. Distinguished Professor, Department of Electrical Engineering and Graduate Institute of Communication Engineering, National Taiwan University IEEE Fellow Convener, Performance Evaluation Committee of Technology Development Program, Ministry of Economic Affairs	–	–	–

* Personal shareholdings

Note 1: Jamie Lin was elected on June 12, 2018 and resigned on February 11, 2019. The Company plans to by-elect an independent director at the 2019 annual shareholders' meeting.

Note 2: 30,000,000 shares held in trust were not included.

Note 3: Richard M. Tsai resigned as Vice Chairman on August 27, 2018.

Note 4: Howard Lin served as a representative of an institutional director of TWM from June 13, 2008 to September 18, 2009.

Note 5: 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 February 25, 2019

Institutional investor	Major shareholders
Fu-Chi Investment Co., Ltd.	Richard M. Tsai (50.25%), 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 February 25, 2019

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

3. Qualifications and independence criteria of directors

As of February 25, 2019

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	
Daniel M. Tsai	V	V					V	V		V		0
Richard M. Tsai	V	V					V	V		V		0
San-Cheng Chang	V	V	V	V	V	V	V	V	V	V		2
Howard Lin	V	V		V	V		V	V	V	V		0
James Jeng	V			V	V		V	V	V	V		0
Jack J.T. Huang	V	V	V	V	V	V	V	V	V	V	V	3
Hsueh-Jen Sung	V	V	V	V	V	V	V	V	V	V	V	0
Char-Dir Chung	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 affiliates

Criterion 2: Not a director or supervisor of the Company's affiliates (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 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 Remuneration and Nomination Committee are not covered by this restriction per Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration and Nomination 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

4. Diversified board of directors

- TWM's "Corporate Governance Best Practice Principles" call for the creation of a diversified board of directors.
- The board of directors bears a responsibility toward the shareholders. The corporate governance system ensures that the board, in exercising its authority, complies with the law, the articles of incorporation and shareholder meetings' resolutions.
- The structure of the board of directors shall be determined by choosing an appropriate number of board members, no less than five, in consideration of the company's business scale, the shareholdings of its major shareholders, and practical operational needs.
- The composition of the board of directors shall be determined by taking diversity into consideration based on the company's business operations, operating dynamics and development needs, and shall be formulated and include, without being limited to, the following two guidelines:
  1. Basic requirements: Gender, age, nationality and culture
  2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing and technology), professional skills and industry experience
- All members of the board shall have the knowledge, skills and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, board directors shall possess the following:
  1. Ability to make operational judgments
  2. Ability to perform accounting and financial analysis
  3. Ability to conduct management administration
  4. Ability to conduct crisis management
  5. Industry knowledge
  6. A global market perspective
  7. Ability to lead
  8. Ability to make policy decisions

Board members	Communication industry experience (Years)	The tenure of directors/ independent directors (Years)	Top five core competencies									
			Finance	Law	Business	Technology	Investment and M&A	FinTech	Information Technology	Risk Management	CEO/Senior management	Consumer Discretionary (E-commerce/ Marketing)
Daniel M. Tsai	20	20	V	V	V			V			V	
Richard M. Tsai	20	20	V		V		V	V			V	
San-Cheng Chang	12	3			V	V			V		V	V
Howard Lin	6	6	V		V		V				V	V
James Jeng	31	5			V	V			V	V	V	
Jack J.T. Huang	16	16		V	V		V			V	V	
Hsueh-Jen Sung	5	5	V		V		V	V			V	
Char-Dir Chung	30	2				V			V	V	V	V

Management Team

As of February 25, 2019

Title / Division	Name	Effective date	Shareholding / %	Spouse's/ 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 (Note 1)	2014.01.06	–	–	PhD and MS in Electrical and Computer Engineering, State University of New York 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. Director, TWM Holding Co. Ltd. Director and President, TCC Investment Co., Ltd. Chairman and President, Taiwan Digital Communications Co., Ltd. Chairman, Taiwan Digital Service Co., Ltd. Director, Taihsin Property Insurance Agent Co., Ltd. Chairman, Tai-Fu Cloud Technology Co., Ltd. Director and President, TFN Media Co., Ltd. Chairman and President, Global Forest Media Technology Co., Ltd. Chairman and President, Global Wealth Media Technology Co., Ltd. Chairman, Win TV Broadcasting Co., Ltd. Director, momo.com Inc. Director and President, TFN Union Investment Co., Ltd. Director, TFN HK Ltd. Chairman and President, TWM Communications (Beijing) Co., Ltd. Director and President, TCCI Investment and Development 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's/ 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 Group	Rosie Yu	2014.04.29	–	–	BS in Business Administration, 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, TFN HK 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, TCC Investment Co., Ltd. Supervisor, Taiwan Digital Communications Co., Ltd. Supervisor, Taiwan Digital Service Co., Ltd. Supervisor, TFN Media Co. Ltd. Supervisor, Global Forest Media Technology Co., Ltd. Supervisor, Global Wealth Media Technology Co., Ltd. Supervisor, Win TV Broadcasting Co., Ltd. Supervisor, TFN Union Investment Co., Ltd. Supervisor, TWM Communications (Beijing) Co., Ltd. Supervisor, TCCI Investment and Development Co., Ltd.	–	–	–
Vice President / Finance and Administration Group	Jay Hong	2004.05.06	–	–	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.	–	–	–

Title / Division	Name	Effective date	Shareholding / %	Spouse's/ 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 and General Counsel / Corporate Affairs	Ariel Hwang	2016.04.28	–	–	EMBA, National Taiwan University LLM, National Chung Hsing University LLB, National Taiwan University Judge, Taiwan High Court and 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. Supervisor, Tai-Fu Cloud Technology Co., Ltd. Legal Consultant, Fubon Financial Holding Co., Ltd. Independent Director, The Ambassador Hotel Co., Ltd. Independent Director, TYNTEK Corp. Independent Director, Tynsolar Corp.	–	–	–
Vice President and Chief Data Officer / Corporate Affairs	Eddie Chan	2019.01.31	–	–	MBA, The Anderson School of Management, UCLA BS in Mechanical Engineering, National Taiwan University Senior Director, Taiwan Mobile Co., Ltd. Executive Director, Aplix Corp. General Manager, Wireless Business Unit, Quanta Computer Engagement Manager, McKinsey & Company	None	–	–	–
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. CEO, Taipei New Horizon Foundation	–	–	–

Title / Division	Name	Effective date	Shareholding / %	Spouse's/ 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	Naomi Lee	2015.08.03	–	–	LLB, National Taiwan University General Counsel, Kbro Co., Ltd. Attorney, InfoShare Tech Law Office Legal Director and Vice President, Taiwan Broadband Communications Senior Legal Manager, Lucent Technologies Attorney, Lee and Li Attorneys-at-Law Attorney, Russin & Vecchi International Legal Counselors	None	–	–	–
Vice President / Corporate Affairs	C.H. Wu	2016.09.26	–	–	MS in Electrical and Computer Engineering, University of Rochester BS in Electrical Engineering, National Taiwan University Vice President, Applied Computing Group, Advantech Co., Ltd. General Manager, Taiwan, Symantec Corp. General Manager, Taiwan, Cisco Systems, Inc. System Engineer/Sales Manager, IBM Corp.	Chief Operating Officer, Taiwan Fixed Network Co., Ltd. Officer-in-charge, System Integration Branch Office, Taiwan Mobile Co., Ltd. Director and President, Tai-Fu Cloud Technology Co., Ltd.	–	–	–
Vice President and Chief Information Officer / Information Technology Group	James Chang	2017.01.25	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's/ 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 and Acting Chief Technology Officer / Technology Group	Tom Koh	2018.11.01	–	–	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	Director, Global Forest Media Technology Co., Ltd. Director, Global Wealth Media Technology Co., Ltd. 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. Supervisor, Taiwan Kuro Times Co., Ltd.	–	–	–
Senior Vice President and Chief Business Officer / Consumer Business Group	Jeff Ku	2017.01.25	–	–	EMBA, National Taiwan University MBA, University of Wollongong, Australia Vice President, Taiwan High Speed Rail Corp. Director, Far EasTone Telecommunications Co., Ltd.	Director, Taihsin Property Insurance Agent Co., Ltd. Director, Global Forest Media Technology Co., Ltd. Director, Global Wealth Media Technology Co., Ltd. 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.	–	–	–
Vice President / Consumer Business Group	Steve Chou	2011.04.25	–	–	MBA, Southern Methodist University, Texas Senior Vice President, Customer Service, HSBC Bank General Manager, Secured Lending, Standard Chartered Bank Vice President, Customer Service, Sparq Telecom Vice President, Customer Service, TransAsia Telecommunications Inc. Assistant Vice President, Credit Card, Citibank, N.A.	Director and President, Taiwan Teleservices & Technologies Co., Ltd.	–	–	–

Title / Division	Name	Effective date	Shareholding / %	Spouse's/ 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	Director and President, Taiwan Kuro Times Co., Ltd.	–	–	–
Vice President / Consumer Business Group	David Lin	2016.05.03	–	–	MS in Communication Convergence and Innovative Management, Shih Hsin University General Manager, YMS/CPT/HTP/DWS CATV, Kbro Co., Ltd. Vice President, Business & Operation and Special Assistant to Chairman, Kbro Co., Ltd. Special Assistant to Chairman, Vibo Telecom Vice President, Asia Pacific Telecom	None	–	–	–
Vice President / Consumer Business Group	Michael Teng	2017.01.03	–	–	BS in Industrial Engineering, Chung Yuan Christian University Senior Director, Taiwan Mobile Co., Ltd. Vice President, Taiwan Tele-Shop Co., Ltd.	President, Taiwan Digital Service Co., Ltd.	–	–	–

Note1: President James Jeng will retire on April 1st of 2019. Mr. Jamie Lin will take over the position.

Note2: Shareholdings of less than 0.001% are denoted as "0.000" and zero shareholdings are denoted as "–".

Note3: Shares purchased through employee share ownership trust (ESOT) program are not included in above table.

Shares held by the management team through ESOT program are listed as follows: James Jeng - 2,607 shares, Rosie Yu - 2,552 shares, Jeff Ku - 11,898 shares, Ariel Hwang - 11,898 shares, James Chang - 6,618 shares, Eddie Chan - 1,636 shares, Iris Liu – 328 shares, Jay Hong - 11,898 shares, Michael Teng - 11,898 shares, Steve Chou - 5,028 shares, Daphne Lee - 2,779 shares

Compensation to Directors and Management Executives

1. Compensation of directors

Unit: NT$

Title	Name	Representative	Director's compensation								A+B+C+D as a % of net profit		Compensation as an employee								A+B+C+D+E+F+G as a % of net profit		Compensation from investees other than subsidiaries
			Cash compensation (A)		Pension (B)		Director's remuneration (C)		Professional fee (D)				Performance-based salary (E)		Retirement pay of employees (F)		Earnings paid as bonus to employees (G)						
			Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone		Consolidated		Stand-alone	Consolidated	
																	Cash	Stock	Cash	Stock			
Chairman	Fu-Chi Investment Co., Ltd.	Daniel M. Tsai																					
Director	Fu-Chi Investment Co., Ltd.	Richard M. Tsai																					
Director	Fu-Chi Investment Co., Ltd.	San-Cheng Chang																					
Director	TCC Investment Co., Ltd.	Howard Lin																					
Director	TCC Investment Co., Ltd.	James Jeng																					
Independent Director	Jack J.T. Huang		41,668,272	57,081,522	-	-	45,936,816	45,936,816	1,910,000	2,252,000	0.6562%	0.7717%	18,381,957	18,381,957	108,000	108,000	6,831,583		6,831,583		0.8418%	0.9573%	--
Independent Director	Hsueh-Jen Sung																						
Independent Director	Char-Dir Chung																						
Independent Director	Jamie Lin (Mr. Lin was elected on June 12, 2018 and resigned on February 11, 2019.)																						
Independent Director	Chung-Ming Kuan (Mr. Kuan resigned on January 12, 2018.)																						

Note 1: The figures in the table include expenses for company cars and gasoline reimbursement, but do not include compensation paid to company drivers which totaled NT$1,059,524.

Note 2: In addition to the above table, remuneration paid to directors for their services to all consolidated entities (such as consultants who are not employees) totaled NT$10,720,008. .

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	San-Cheng Chang, Howard Lin, Chung-Ming Kuan, James Jeng	San-Cheng Chang, Chung-Ming Kuan, James Jeng	San-Cheng Chang, Howard Lin, Chung-Ming Kuan	San-Cheng Chang, Chung-Ming Kuan
NT$2,000,000~NT$4,999,999	Jamie Lin	Jamie Lin	Jamie Lin	Jamie Lin
NT$5,000,000~NT$9,999,999	TCC Investment Co., Ltd., Jack J.T. Huang, Hsueh-Jen Sung, Char-Dir Chung	TCC Investment Co., Ltd., Jack J.T. Huang, Hsueh-Jen Sung, Char-Dir Chung	TCC Investment Co., Ltd., Jack J.T. Huang, Hsueh-Jen Sung, Char-Dir Chung	TCC Investment Co., Ltd., Jack J.T. Huang, Hsueh-Jen Sung, Char-Dir Chung
NT$10,000,000~NT$14,999,999	–	–	–	–
NT$15,000,000~NT$29,999,999	Fu-Chi Investment Co., Ltd., Daniel M.Tsai, Richard M. Tsai	Fu-Chi Investment Co., Ltd., Daniel M.Tsai, Richard M. Tsai, Howard Lin	Fu-Chi Investment Co., Ltd., Daniel M. Tsai, Richard M. Tsai, James Jeng	Fu-Chi Investment Co., Ltd., Daniel M.Tsai, Richard M. Tsai, Howard Lin, 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	12	12	12	12

3. Compensation of management executives

Unit: NT$

Title and name	President, James Jeng; Executive Vice President and Chief Financial Officer, Rosie Yu; Senior Vice President and Chief Business Officer, Jeff Ku; Vice President and General Counsel, Ariel Hwang; Vice President and Chief Information Officer, James Chang; Vice President and Acting Chief Technology Officer, Tom Koh; Vice President and Chief Data Officer, Eddie Chan; Vice President, Jay Hong; Vice President, Iris Liu; Vice President, Naomi Lee; Vice President, C.H. Wu; Vice President, Steve Chou; Vice President, Daphne Lee; Vice President, David Lin; Vice President, Michael Teng Resigned manager: Senior Vice President and Chief Technology Officer, C.H. Jih		Total
Salary (A)	Stand-alone		75,294,296
	Consolidated		75,654,296
Pension (B) *	Stand-alone		1,698,300
	Consolidated		1,698,300
Performance-based salary (C)	Stand-alone		39,972,772
	Consolidated		40,014,383
Earnings paid as bonus to employees (D)	Stand-alone	Cash	35,642,508
		Stock	–
	Consolidated	Cash	35,642,508
		Stock	–
A+B+C+D as a % of net profit	Stand-alone		1.1186%
	Consolidated		1.1216%
Compensation from investees other than subsidiaries			35,000

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

Note: Figures do not include compensation paid to company drivers which totaled NT$3,118,000.

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	C.H. Jih	C.H. Jih
NT$5,000,000~NT$9,999,999	Tom Koh, Ariel Hwang, Eddie Chan, Jay Hong, Iris Liu, Naomi Lee, C.H. Wu, Steve Chou, Daphne Lee, David Lin, Michael Teng	Tom Koh, Ariel Hwang, Eddie Chan, Jay Hong, Iris Liu, Naomi Lee, C.H. Wu, Steve Chou, Daphne Lee, David Lin, Michael Teng
NT$10,000,000~NT$14,999,999	Jeff Ku, James Chang	Jeff Ku, James Chang
NT$15,000,000~NT$29,999,999	James Jeng, Rosie Yu	James Jeng, Rosie Yu
NT$30,000,000~NT$49,999,999		
NT$50,000,000~NT$99,999,999		
NT$100,000,000 and above		
Total	16	16

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	Salary and pension	Performance-based salary	Earnings paid as bonus to employees
President, James Jeng	43.4%	29.6%	27.0%
Executive Vice President and Chief Financial Officer, Rosie Yu	47.7%	25.8%	26.5%
Senior Vice President and Chief Business Officer, Jeff Ku	46.1%	27.6%	26.3%
Vice President and General Counsel, Ariel Hwang	55.5%	25.6%	18.9%
Vice President and Chief Information Officer, James Chang	50.4%	25.2%	24.4%
Vice President and Acting Chief Technology Officer, Tom Koh	50.7%	24.8%	24.5%
Vice President and Chief Data Officer, Eddie Chan	50.8%	26.7%	22.5%
Vice President, Jay Hong	51.9%	23.0%	25.1%
Vice President, Iris Liu	50.3%	26.8%	22.9%
Vice President, Naomi Lee	52.3%	24.3%	23.4%
Vice President, C.H. Wu	50.0%	25.8%	24.2%
Vice President, Steve Chou	50.1%	25.3%	24.6%
Vice President, Daphne Lee	54.5%	28.5%	17.0%
Vice President, David Lin	48.5%	29.5%	22.0%
Vice President, Michael Teng	56.5%	25.8%	17.7%
Senior Vice President and Chief Technology Officer, C.H. Jih *	87.2%	12.8%	0.0%

* Resigned

6. Manager and employee bonuses

Unit: NT$
As of February 25, 2019

Title and name	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 Business Officer, Jeff Ku Vice President and General Counsel, Ariel Hwang Vice President and Chief Information Officer, James Chang Vice President and Acting Chief Technology Officer, Tom Koh Vice President and Chief Data Officer, Eddie Chan Vice President, Jay Hong Vice President, Iris Liu Vice President, Naomi Lee Vice President, C.H. Wu Vice President, Steve Chou Vice President, Daphne Lee Vice President, David Lin Vice President, Michael Teng	-	35,642,508	35,642,508	0.2613%

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

1. Compensation of directors

Unit: NT$

Type	Year	Compensation of directors	Net income	As a % of net income
On a stand-alone basis	2017	117,810,217	14,192,175,846	0.8301%
	2018	114,836,628	13,642,172,236	0.8418%
On a consolidated basis	2017	123,786,563	14,192,175,846	0.8722%
	2018	130,591,878	13,642,172,236	0.9573%

Guiding principles for compensation of 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 paid to 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 or a member of the Audit Committee or Remuneration and Nomination Committee.

Procedures for setting remuneration

(1) In accordance with the Company's Articles of Incorporation, compensation paid to 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, directors' remuneration shall be based on the Company's operating profit. Each director's remuneration is assessed based on his/her contribution to the operations of the Company and the board. The Remuneration and Nomination Committee reviews the compensation mechanism periodically, taking future operating risks, environmental conservation and corporate social responsibility into consideration.

2. Compensation of management executives

Unit: NT$

Type	Year	Compensation of management executives	Net profit	As a % of net profit
On a stand-alone basis	2017	172,003,497	14,192,175,846	1.2120%
	2018	152,607,876	13,642,172,236	1.1186%
On a consolidated basis	2017	172,388,497	14,192,175,846	1.2147%
	2018	153,044,487	13,642,172,236	1.1218%

Guiding principles for compensation of management executives

Remuneration policies, standards and package

(1) Compensation paid 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 Remuneration and Nomination Committee for approval at the board meeting.

Procedures for setting performance bonuses

(1) In accordance with the Company's Articles of Incorporation, employee profit sharing shall come from a 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 Remuneration and Nomination Committee.

Corporate Governance

Board of Directors attendance

1. The Board of Directors convened seven meetings in 2018

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Chairman	Fu Chi Investment Co., Ltd. Representative: Daniel M. Tsai	7	0	100%	None
Director	Fu Chi Investment Co., Ltd. Representative: Richard M. Tsai	7	0	100%	None
Director	Fu Chi Investment Co., Ltd. Representative: San-Cheng Chang	7	0	100%	None
Director	TCC Investment Co., Ltd. Representative: Howard Lin	7	0	100%	None
Director	TCC Investment Co., Ltd. Representative: James Jeng	7	0	100%	None
Independent Director	Jack J.T. Huang	7	0	100%	None
Independent Director	Hsueh-Jen Sung	7	0	100%	None
Independent Director	Char-Dir Chung	7	0	100%	None
Independent Director	Jamie Lin	4	0	100%	Jamie Lin, who was elected on June 12, 2018 and resigned on February 11, 2019, was required to attend four board meetings.

Note: Attendance by all independent directors reached 100% in 2018.

2. Any objections or issues raised by independent directors against resolutions passed by the Board of Directors:

(1) Pursuant to Article 14-3 of the Securities and Exchange Act:

Not applicable. The Company has already established an audit committee.

(2) Other items not covered in the preceding table: None

3. Any recusals due to conflicts of interest:

Date	Name of directors	Proposal	Reasons for recusal	Participation in deliberation
2018.2.1	Daniel M. Tsai Richard M. Tsai James Jeng	2017 performance evaluation and proposed year-end bonuses for chairman, vice chairman and managers by the Remuneration and Nomination Committee	Messrs. Tsai and Jeng are members of the board and/or management team	All three were excluded from the deliberations
	Richard M. Tsai Hsueh-Jen Sung San-Cheng Chang James Jeng	Removal of non-competition restrictions for board members	Messrs. Tsai, Sung, Chang and Jeng are board members	All four were excluded from the deliberations
2018.7.26	James Jeng	Distribution of 2017 bonus and adjustment of 2018 remuneration for the Company's managers	Mr. Jeng is a member of the board and management team	Mr. Jeng was excluded from the deliberations
	Daniel M. Tsai Richard M. Tsai	Distribution of 2017 bonuses and adjustment of 2018 remuneration for the Company's chairman and vice chairman	Messrs. Tsai are board members	Messrs. Tsai was excluded from the deliberations

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. The total number of training hours was 111 in 2018, which included programs such as “AI & IoT development trends, operational strategies and risks.”

(2) Information transparency: Committed to upholding operational transparency 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 investor conferences on a quarterly basis and has set up Chinese/English sections for Investor Relations, Corporate Social Responsibility and Corporate Governance on its official website.

(3) Liability insurance: The Company provides its directors and managers with annual liability insurance 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 of the Board of Directors is not a member of the Company’s management team to ensure a system of checks and balances.

(5) The Audit Committee and the Remuneration and Nomination 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.

(6) The Company passed the Rules and Procedures on Evaluating Board of Directors’ Performance to enhance efficiency, under which the Remuneration and Nomination Committee evaluates the board’s performance and submits a report on proposed improvements to the board. The Company asked the Taiwan Corporate Governance Association to assess the board’s performance in January 2018. All members participated in a self-evaluation of individual performances for 2018.

(7) To strengthen corporate governance and enhance the board’s functions, the Board of Directors passed a proposal that independent directors should comprise at least 40% of the board, and that the Remuneration and Nomination Committee should take charge of identifying and nominating competent candidates.

Audit Committee attendance

The Audit Committee is responsible for reviewing the following:

- Financial reports
- Internal control systems and related policies, procedures and assessment of their effectiveness
- Compliance with Article 36-1 of the Securities and Exchange Act
- Material asset or derivatives transactions
- Material monetary loans, endorsements or guarantees
- Offering, issuance or private placement of any equity-type securities
- Fairness and rationality of the Company's M&A plans and transactions
- Any matter that has a bearing on the personal interest of a management executive or director
- Fraud investigation reports
- IT security
- Interacting and communicating with management and listening to business strategy development reports
- Hiring or dismissal of an attesting CPA, or the compensation given thereto
- Performance, qualification and independence of CPAs
- Appointment or discharge of financial, accounting or internal auditing officers

1. The Audit Committee convened five times in 2018.

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Hsueh-Jen Sung	5	0	100%	Appointed committee chairman
Independent Director	Jack J.T. Huang	5	0	100%	None
Independent Director	Char-Dir Chung	5	0	100%	None
Independent Director	Jamie Lin	3	0	100%	Mr. Lin, who was elected on June 12, 2018 was required to attend three committee meetings. Mr. Lin resigned on February 11, 2019.

2. Any objections or issues raised by the Audit Committee against resolutions passed by the Board of Directors

(1) Pursuant to Article 14-5 of the Securities and Exchange Act:

Date	BoD	Proposals and reports	Audit Committee's opinion	Company's response
February 1, 2018	5th meeting of the eighth BoD	4Q17 internal audit report 2017 internal control statement 2017 business report and financial statements 2018 capital expenditure plan and donation to TWM Foundation Issuance of unsecured straight corporate bonds Removal of non-competition restrictions for board members	Approved as proposed	Approved as proposed
April 27,2018	6th meeting of the eighth BoD	1Q18 financial statements 1Q18 internal audit report Removal of non-competition restrictions for board members 2017 earnings distribution and cash return from capital surplus Appointment of CPA	Approved as proposed	Approved as proposed
July 26,2018	9th meeting of the eighth BoD	2Q18 financial statements 2Q18 internal audit report	Approved as proposed	Approved as proposed
November 1,2018	10th meeting of the eighth BoD	3Q18 financial statements 3Q18 internal audit report Internal audit plan for 2019	Approved as proposed	Approved as proposed
November 21,2018	11th meeting of the eighth BoD	Resolution to participate in establishing LINE Bank, an online-only bank	Approved as proposed	Approved as proposed

(2) In addition to the items listed above, any resolution passed by over two-thirds of the Board of Directors, but not approved by the Audit Committee: None.

3. Any recusals due to conflicts of interest:

Date	Name	Proposal	Reason for recusal	Participation in Deliberation
January 31, 2018	Hsueh-Jen Sung	Removal of non-competition restrictions for board members	Mr. Sung is an interested party	Mr. Sung did not join the deliberations.

4. Communication between independent directors and the Internal Audit Chief Officer and CPAs about major financial/operational matters:

(1) The Internal Audit Chief Officer and CPAs communicated directly with independent directors when needed.

(2) In addition to presenting monthly reports to the independent directors, the Internal Audit Chief Officer and CPAs met with the independent directors at the quarterly Audit Committee meetings, bringing communication into full play.

(3) Regular communication between independent directors and internal audit officers/CPAs:

Date	Internal Audit Officers		CPAs	
	Subject matter	Results	Subject	Results
January 31, 2018 5th meeting of the fourth Audit Committee	1. 4Q17 internal audit report 2. 2017 internal control statement	1. Acknowledged 2. Reviewed and submitted to BoD for approval	1. 2017 financial statements, impact of amendments to the Income Tax Act and information sharing on Robotic Process Automation (RPA) 2. CPAs discussed inquiries raised by attendees	Acknowledged
April 25, 2018 6th meeting of the fourth Audit Committee	1Q18 internal audit report	Acknowledged	1. 1Q18 financial statements, impact of amendments to the Income Tax Act and latest information on the EU's General Data Protection Regulation (GDPR) 2. CPAs discussed inquiries raised by attendees	Acknowledged
July 25, 2018 7th meeting of the fourth Audit Committee	2Q18 internal audit report	Acknowledged	1. 2Q18 financial statements and impact of amendments to the Company Act 2. CPAs discussed inquiries raised by attendees	Acknowledged
October 31, 2018 8th meeting of the fourth Audit Committee	1. 3Q18 internal audit report 2. Internal audit plan for 2019	1. Acknowledged 2. Reviewed and submitted to BoD for approval	1. 3Q18 financial statements, communication of key audit matters and advance notice of amendments to the Regulations Governing the Acquisition and Disposal of Assets by Public Companies 2. CPAs discussed inquiries raised by attendees	Acknowledged

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 market observation post system (MOPS).
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 Remuneration and Nomination Committee and an Audit Committee in accordance with the law and voluntarily setting up other functional committees	The Company has also established a Risk Management Committee, CSR Committee and Innovation Management Committee to enhance various functions.
	Board performance evaluation	The Company passed the Rules and Procedures on Evaluating Board of Directors' Performance to enhance efficiency, under which the Remuneration and Nomination Committee evaluates the board's performance and submits a report on proposed improvements to the board. (The Company in January 2018 asked the Taiwan Corporate Governance Association to assess the board's performance, which lauded the board for exercising a high degree of self-discipline. All board members participated in a self-evaluation of individual performances for 2018.)
	Periodic 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 and procedures: 1. The CPAs' resumes. 2. The CPAs neither serve as a director/supervisor/ manager nor hold a position with major influence in the Company or its subsidiaries, and that they have no interests that conflict with the Company's. 3. The CPAs have not served as auditors for the Company for seven consecutive years. 4. The CPAs should provide the Company with a

Item		Current practice
		Declaration of Independence on a quarterly basis. 5. The CPAs are not involved in any significant lawsuit or litigation, and have never been censured by any regulatory body. 6. The scale and reputation of the CPA firm. 7. Effective interaction with management and internal audit officer. The supervisors in the finance and other divisions of the Company and its subsidiaries had evaluated the independence of CPAs in the past two years and reported the results to the Audit Committee on January 31, 2018 and January 30, 2019 respectively.
Has the company set up a full/part time unit or personnel in charge of handling corporate governance-related matters – including but not limited to providing information for board directors to carry out their duties, preparing board and shareholders' meetings, handling company registration and any changes therein, and preparing board and shareholders' meeting minutes?		The Secretarial Division is headed by the EVP/CFO, who has more than 12 years of experience managing publicly listed companies' financial and stock affairs, as well as meeting procedures. The division is in charge of corporate governance-related matters, as well as board and shareholders' meetings. In 2018, the division provided the following: 1. Assisted directors in assuming their positions, furnished them with information required for business execution and held seminars to facilitate interaction between lecturers and directors. 2. Purchased annual liability insurance for directors. 3. Prepared board of directors' and shareholders' meetings, and handled company registration and any changes therein.
Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers) and set up a stakeholders' section on the Company's website to respond to critical corporate social responsibility issues?		Sections on investor relations, procurement and CSR have been set up on the Company's official website and integrated into one comprehensive stakeholders' section. Special personnel have been assigned to handle CSR-related issues.
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 its official website and 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 2018

Training program	Organization	Date	Hours	Participant(s)
100% e-voting to enhance corporate value	Taiwan Depository & Clearing Corp.	2018.03.05	6	James Jeng
Performance evaluation of board meetings	Taiwan Corporate Governance Association	2018.03.06	3	Daniel M. Tsai, Howard Lin, James Jeng, Jack J.T. Huang, Hsueh-Jen Sung
Current development trends in corporate governance and prospects for Taiwan's IPO capital market	Taiwan Corporate Governance Association	2018.03.21	3	San-Cheng Chang
The influence of global political and economic affairs on Taiwan's telecommunications industry	Taiwan Corporate Governance Association	2018.05.09	3	San-Cheng Chang
Important regulatory updates	Taiwan Corporate Governance Association	2018.08.08	1.5	San-Cheng Chang
FSC's new Corporate Governance Blueprint Series – Director's rights and obligations	Taiwan Stock Exchange and Taipei Bar Association	2018.09.10	3	Jamie Lin
Anti-Money Laundering and Countering the Financing of Terrorism for directors and executives	Taiwan Corporate Governance Association	2018.09.11	3	Richard M. Tsai, Daniel M. Tsai, Howard Lin
Lecture on corporate governance	Taiwan Academy of Banking and Finance	2018.09.12	3	Char-Dir Chung
The 12th Taipei corporate governance forum	Financial Supervisory Commission	2018.10.15	3	Jamie Lin
2019 global trade outlook – from the perspective of the US-China trade war	Taiwan Corporate Governance Association	2018.11.07	1.5	San-Cheng Chang
AI & IoT development trends, operational strategies and risks	Taiwan Corporate Governance Association	2018.11.21	6	Daniel M. Tsai, Richard M. Tsai, San-Cheng Chang, Howard Lin, James Jeng, Jack J.T. Huang, Hsueh-Jen Sung, Char-Dir Chung, Jamie Lin
Corporate governance driving digital transformation – managing digital risks	Taiwan Institute of Directors	2018.11.29	3	Jamie Lin

Training program	Organization	Date	Hours	Participant(s)
AI - ization of Taiwan's industry – How to get a foot in the door; Graph&AI – optimize your AI model	Taiwan Corporate Governance Association	2018.12.18	3	Jamie Lin
Performance evaluation of board meetings	Taiwan Corporate Governance Association	2019.01.14	3	Richard M. Tsai

Note 1: Jamie Lin resigned on February 11, 2019.

Note 2: The training hour requirements listed above have been fulfilled.

7. Corporate governance related training programs for management in 2018

At the end of every year, we develop a training plan for the following year in accordance with enterprise development strategies, a survey of training needs and interviews with each group's senior executives. Training courses for senior executives are closely aligned with corporate strategies and global business trends. For example, we invited a partner of a venture capital to discuss the trends driving the new industrial revolution and a consultant to talk about new trends in corporate sustainable development.

The Company has developed a succession plan for senior executives that is in line with corporate core values and future strategies. We evaluate the capability and performance of each executive on a regular basis and provide customized training programs, job assignments or job rotation accordingly. The progress of the succession plan is reviewed by the Remuneration and Nomination Committee.

We recently promoted two senior executives in line with the succession plan. Mr. Tom Koh current acting chief technology officer, originally served as supervisor of network planning and cloud product infrastructure. Mr. Koh was transferred to network engineering/management & technical support to help him gain the knowledge and experience needed to be a chief technology officer. Mr. Eddie Chan was promoted to Chief Data Officer. Mr. Chan joined the company as the supervisor of mobile marketing and IoT services and product technology development. He was assigned to different innovative mobile business units, such as mobile commerce and mobile advertising, to broaden and strengthen his expertise in new business areas.

Training program	Organizer	Date	Hours	Participants
The trends driving the new industrial revolution: Future of "Work"	In-house training	2018.03.14	2	Rosie Yu, James Chang, Naomi Lee, Steve Chou, David Lin, Michael Teng
Information security – preventing information hacking	In-house training	2018.04.24	1	Eddie Chan, Naomi Lee, C.H. Wu, Steve Chou, David Lin, Michael Teng,
New trends in corporate sustainable development	In-house training	2018.05.18	2	Tom Koh, Iris Liu, C.H. Wu, Steve Chou, Daphne Lee
20th GeSI General Assembly	Global e-Sustainability Initiative	2018.06.06 ~ 2018.06.08	18	Tom Koh
Information security – preventing information leaks	In-house training	2018.07.17	1	Ariel Hwang, James Chang, Eddie Chan, Jay Hong, Naomi Lee, C.H. Wu, Steve Chou, Daphne Lee, David Lin, Michael Teng,
Corporate sustainability and risk assessment	In-house training	2018.07.18	6.5	Jay Hong

Training program	Organizer	Date	Hours	Participants
Global and cross-strait trends in combating tax evasion	Taiwan Academy of Banking and Finance	2018.08.29	3	Rosie Yu
Information security – dissemination of the Personal Information Protection Act	In-house training	2018.10.17	1	Jeff Ku, James Chang, Tom Koh, Eddie Chan, Jay Hong, Iris Liu, C.H. Wu, Steve Chou, Daphne Lee, David Lin, Michael Teng,
Deconstruction of AI techniques and how to follow the trend	In-house training	2018.10.26	2	James Jeng, Jeff Ku, Ariel Hwang, James Chang, Jay Hong, Naomi Lee, C.H. Wu, Steve Chou, Daphne Lee, David Lin, Michael Teng
Dealing with the impact of the EU's General Data Protection Regulation on businesses	In-house training	2018.12.05	2.5	Ariel Hwang, James Chang, Naomi Lee

8. Risk management

Risk management policies

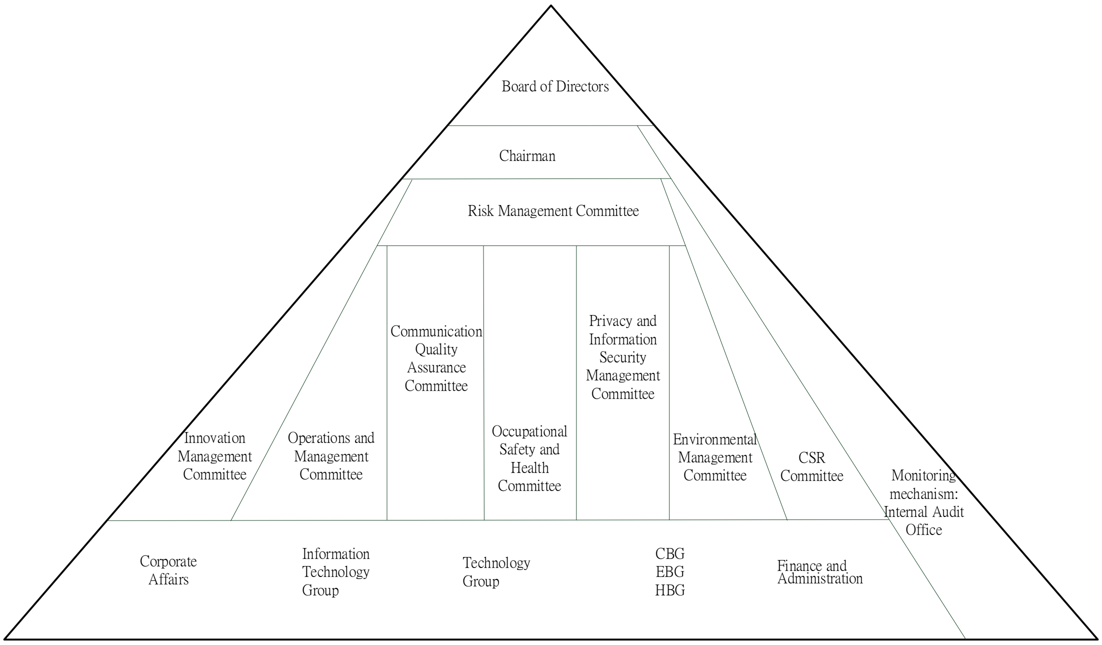
(1) Promote a risk management-based business model

(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	Risk factors are analyzed and assigned to responsible units to monitor and ensure timely and effective detection. Each unit shall ensure, on a daily basis, that risks are kept under acceptable levels. Should there be any changes in condition or other factors, the responsible unit shall report these to the Company for an appropriate course of action.
Middle	Risk Management Committee*	Integrate the Company's risk management framework and internal control mechanism. Execute risk management strategies and conduct a review of the efficiency of the overall risk management mechanism. Exercise control over the five following committees:
	Operations and Management Committee	Conduct periodic reviews of each business group's operating target and performance to meet the Company's guidance and budget.
	Privacy and Information Security Management Committee	Demonstrate the Company's commitment to these principles by investigating reported violations of information privacy principles and policies and, if necessary, taking appropriate corrective measures.
	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.
	Environmental Management Committee	Develop and manage the Company's policies and objectives for environmental and energy management.
	Corporate Social Responsibility Committee	Promote corporate social responsibility and implement sustainable management within the Company.
	Innovation Management Committee	Integrate the Company's innovation strategies and establish a management mechanism.
Top	Board of Directors	Responsible for assessing material risks, designating actions to control these risks and keeping track of their execution.
Monitoring mechanism	Internal Audit Office	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. Report any discrepancy to the concerned unit chief and ensure that remediation efforts are completed.

* The Risk Management Committee exercises control over five units/systems: Operations and Management Committee, Privacy and 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	Decision-making and supervision
1	Operating risk	Technology Group / IT Group	Operations and Management Committee	The highest decision-making 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 and tax risk management	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 of ethics and conduct	Human Resources Division		
13	Corporate social responsibility risks and other emerging risks	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 privacy and information security	President's Office	Privacy and 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	
18	Innovation risk	CBG, EBG, HBG, Technology Group, IT Group, Public Relations and Brand Management Division	Innovation 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. Liability insurance for board directors

The Company purchases annual liability insurance for its directors and reports the insurance coverage, amount and scope to the board of directors on a regular basis.

11. Employee certifications relating to information transparency

Certification	Number of Employees		
	Internal Audit Office	Corporate Affairs	Finance and Administration Group
Certified Public Accountant (CPA)			11
US Certified Public Accountant (US CPA)			1
Financial Risk Manager (FRM)			1
Certified Internal Auditor (CIA)	5	1	2
Certification in Control Self-Assessment (CCSA)	1		
Certification in Risk Management Assurance (CRMA)	1		
Certified Information Systems Auditor (CISA)	2	1	
Enterprise internal control basic skills (Securities and Futures Institute)			4
Stock affairs specialist (Securities and Futures Institute)	1		5
Bond specialist (Securities and Futures Institute)			1
ISO20000/ISO22301/ISO27001/ISO29100/ISO9001/BS10012/BS25999/BS7799 Lead Auditor	13	15	3

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 “Corporate Governance Evaluation” conducted by the Taiwan Stock Exchange and Taipei Exchange, ranking among the top 5% of listed companies for four consecutive years.

Remuneration and Nomination Committee operations

The Remuneration and Nomination Committee, composed entirely of independent directors, is bound by the Remuneration and Nomination Committee Charter. The committee is responsible for the following:

(1) Establish a policy, system, standard and structure for directors’ and managers’ compensation and review them periodically.

(2) Decide compensation of directors and managers and carry out periodic evaluations.

(3) Select, assess and nominate candidates for directorships.

Qualifications and independence criteria of members of the Remuneration and Nomination Committee

Identity	Name	Over five years of experience in business, finance, legal and/or other areas related to the Company's business	Independence criteria (Note)								No. of public companies in which he or she also serves as a member of the Remuneration and Nomination 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	Hsueh-Jen Sung	V	V	V	V	V	V	V	V	V	0
Independent Director	Char-Dir Chung	V	V	V	V	V	V	V	V	V	0

Note: "V" denotes meeting the conditions specified below during their tenure or two years before assuming their posts:

Criterion 1: Not an employee of the Company or its affiliates

Criterion 2: Not a director or supervisor of the Company or the Company's affiliates (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, or 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

Remuneration and Nomination Committee attendance

(1) The Remuneration and Nomination Committee consists of four members (Jamie Lin resigned on February 11, 2019).

(2) Tenure of the Third Remuneration and Nomination Committee: June 14, 2017 to June 13, 2020. The committee convened three times in 2018:

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Jack J.T. Huang	3	0	100%	None
Independent Director	Hsueh-Jen Sung	3	0	100%	None
Independent Director	Char-Dir Chung	3	0	100%	None
Independent Director	Jamie Lin	1	0	100%	Mr. Lin, who was elected on June 12, 2018, was required to attend one committee meeting. Mr. Lin resigned on February 11, 2019.

1. Any suggestion made by the Remuneration and Nomination 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 Remuneration and Nomination Committee against resolutions passed by the committee: None

Meetings of Remuneration and Nomination Committee

Date	R&N Committee Meeting	Agenda	R&N Committee's Opinion	Company Response
2018.2.1	2nd meeting of the 3rd R&N Committee	2017 year-end bonus of the Chairman and Vice Chairman.	Approved as proposed	Approved by the BoD
		2017 performance evaluation results of the managers and year-end bonus distribution	Approved as proposed	Approved by the BoD
		2017 remuneration distribution plan for the Company's board of directors.	Approved as proposed	Approved by the BoD
		2017 performance evaluation plan of the BoD	Approved as proposed	Approved by the BoD
		Proposed amendment to the Remuneration and Nomination Committee charter	Approved as proposed	Approved by the BoD
2018.4.17	3rd meeting of the 3rd R&N Committee	Recommendation of the candidate for the independent director of the 8th BoD	Approved as proposed	Approved by the BoD
2018.7.26	4th meeting of the 3rd R&N Committee	2017 annual compensation and 2018 salary adjustment proposal for the Chairman and Vice Chairman.	Approved as proposed	Approved by the BoD
		2017 employee profit sharing distribution plan and 2018 salary adjustment proposal for the managers	Approved as proposed	Approved by the BoD

Corporate social responsibility (CSR)

Item	Current Practices
Corporate governance	
1. Establishing a CSR policy or system and review mechanism	1. The Company set up its Corporate Social Responsibility Policy in 2011 and Corporate Social Responsibility Best Practice Principles in 2015 to ensure effective execution of corporate social responsibility. It also drafted a sustainability strategy blueprint to serve as the foundation for its CSR Vision 2020 Project. The Corporate Social Responsibility Committee reviews and tracks the performances of CSR-related projects on a quarterly basis. A year-end review showed that all projects' targets were already achieved in 2017. Taking pride in being an industry benchmark on sustainability, TWM initiated the Zetta Connected 2030 Project in 2018 by setting up critical key performance indicators, in response to the UN's 17 Sustainable Development Goals (SDGs).
2. CSR course training	2. CSR course training is held periodically.
3. Setting up a unit to carry out this policy or system	3. In 2007, TWM established the 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.
4. Establishing a reward-and-punishment system as part of the Company's employee performance evaluation system and CSR policy	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.

Item	Current Practices
Environmental sustainability	
1. Promoting advanced and efficient use of renewable resources to reduce their impact on the environment	1. The Company has continuously worked to improve the efficient use of resources, including paper, water, electricity and oil, as well as to reduce and recycle domestic and electronic waste (cables, batteries and cellphones).
2. Establishing an environmental management system in line with the nature of the Company's business operations	2. The Environmental Management Committee was set up in 2016 to develop environmental policies and objectives, integrate the administration of ISO 14001 (environmental management), ISO 14064-1 (greenhouse gas inventories) and ISO 50001 (energy management), and promote smart energy conservation strategies. These various tasks are carried out by separate teams, and their progress and results are reported to the Environmental Management Committee.
3. Monitoring the impact of climate change on operating activities and adopting measures to reduce GHG emissions and minimize their impact on the environment	3. The Company's operating management practices, including communications technology deployment, are designed to reduce energy consumption and greenhouse gas emissions. These measures include: ● Green energy infrastructure ● Smart energy conservation for machine rooms, base stations, office buildings and direct stores ● Green energy initiative: TWM Green Energy Promises a Brighter, More Sustainable Future ● Green logistics ● Green office ● Green products and services ● Corporate (Scopes 1 & 2) GHG emissions accounting ● Corporate Value Chain (Scope 3) GHG emissions accounting ● Task force on implementation of climate-related financial disclosures ● 2030 carbon emission target: Reduce total GHG emissions by 31.4% from 2016 levels

Unit: ton-CO_2e	2016*	2017*	2018
Direct emissions (Scope 1)	5,871	4,847	4,940
Indirect emissions (Scope 2): Location based	246,508	247,829	238,722
Indirect emissions (Scope 2): Market based	-	-	235,916
Total GHG emissions (Scopes1+2) : Location based	252,379	252,676	243,662
Total GHG emissions (Scopes1+2) : Market based	-	-	240,856
Indirect emissions (Scope 3)**	-	-	705,169

* Scope 2 Emissions for 2016 and 2017 were revised due to an update of the electricity emission factors of 2016 and 2017 announced by the Bureau of Energy, Ministry of Economic Affairs.

**We accounted for 15 categories of scope 3 emissions, including purchased goods and services, capital goods, fuel- and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, upstream leased assets, downstream transportation and distribution, use of sold products, end-of-life treatment of sold products, downstream leased assets, and franchises; Two categories, processing of sold products and investments, are not applicable to the Company.

Item	Current Practices
Commitment to corporate social responsibility 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	1. Pursuant to related national regulations, including the Labor Standards Act, Employment Services Act, Gender Equality in Employment Act and International Bill of Human Rights, the Company has never employed child workers, discriminated against any employee or ethnic group, or forced its employees to work.
2. Setting up an employee appeals process	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 are taken subject to verification of the case.
3. Providing employees with a safe and healthy working environment, as well as regular training on safety and health education	3. The Company aims to provide a safe and healthy working environment for employees and has implemented 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. Building a regular communication mechanism and notifying employees about potential operational changes that may have a significant impact on them	4. The Company has set up multiple channels to communicate with employees on a regular basis about its operational decisions. (1) Dialogue between employees and management: Managerial meetings are held every quarter to reinforce the Company's vision, convey recent critical developments to all employees, and respond to employee concerns and opinions. (2) Employee opinion channel: Employees are encouraged to provide constructive opinions on any issue. Operational issues are addressed by relevant departments, while those concerning company strategies and overall situation are handled during managerial meetings led by the president, with the results being announced to all employees. (3) Labor-management meetings are held quarterly to enhance communication between employees and management to build consensus and promote cooperation. (4) 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. (5) A President's Mailbox has been set up for employees to submit recommendations to the Company. (6) Employee opinion surveys: A survey is conducted every two years to gauge job satisfaction and employees' views about the workplace and management practices. Additional surveys are conducted after company activities, such as the year-end party and medical checkups, to gather employee opinions. (7) 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. Developing individual training plans for career development	5. The Company conducts a survey on employees' career development plans and supervisors provide feedback to all employees. Based on individual career interests, strengths and weaknesses, supervisors help their staff draw up individual development plans during the annual performance review to give them systematic guidance on enhancing their skills and abilities for career development.

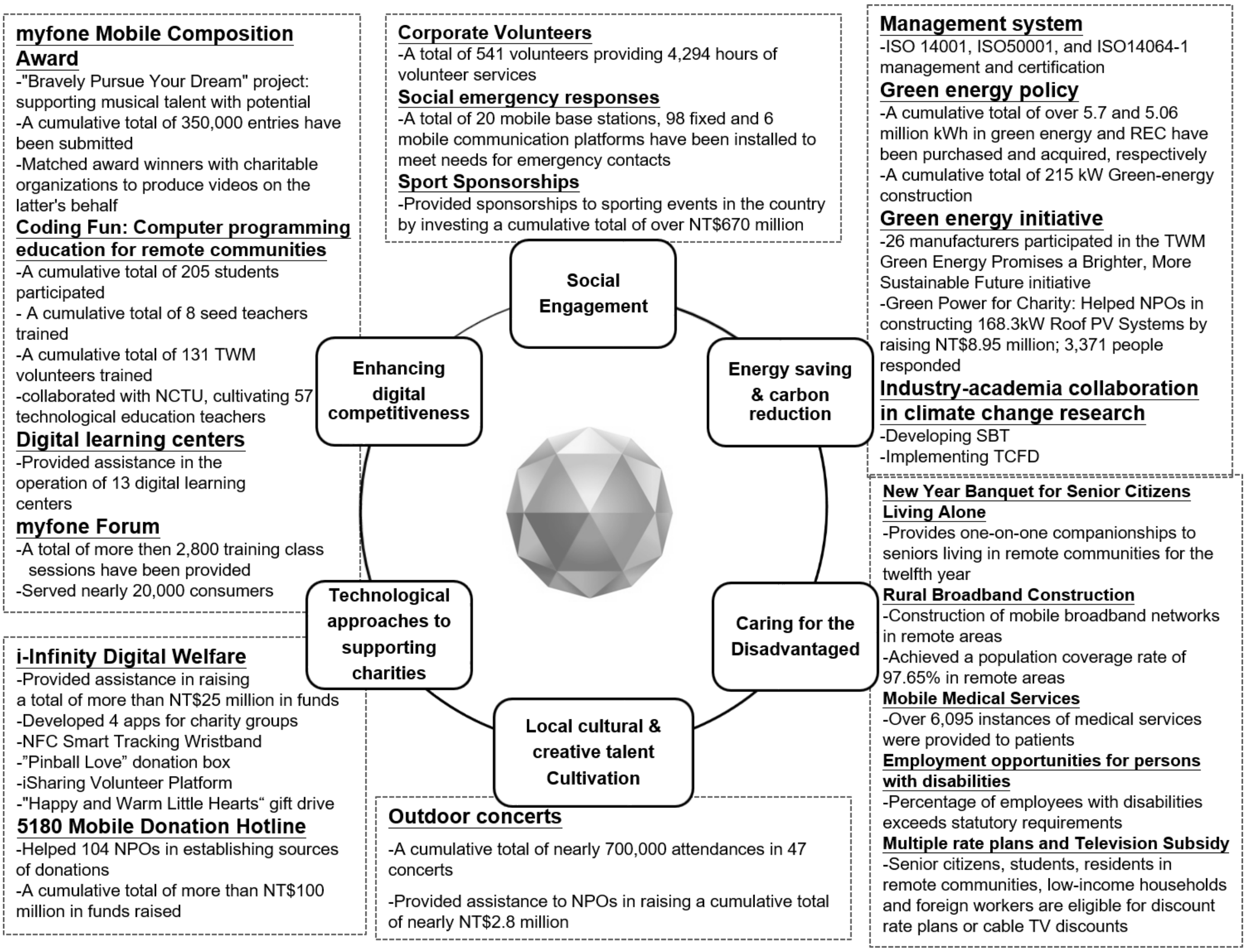
Item	Current Practices
6. Developing consumer rights protection policies and appeals procedures related to R&D, procurement, production, operations and service processes	6. The Company aims to turn innovative technologies into practical and user-friendly services for our customers by providing excellent service quality through various convenient and prompt service channels. TWM have received the SGS Qualicert service certification for seven consecutive years. To protect personal data security, it introduced 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 feedback or file complaints through these channels or a special mobile app.
7. Complying with relevant regulations and international standards on marketing and labeling of products and services	7. TWM's mobile base stations were constructed in accordance with relevant laws and regulations, and passed base station electromagnetic checks by the NCC, having fully complied with the International Commission on Non-Ionizing Radiation Protection standards.
8. Evaluating prospective suppliers' track record on environmental and social issues	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.
9. Right to terminate a contract if supplier violates its social responsibility, causing a significant impact on the environment and society	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. (1) TWM does not use any product from conflict material/product suppliers. (2) TWM requests its suppliers investigate their supply chains to ensure that no products are from conflict areas.
Information disclosure Disclosing relevant and reliable information on corporate social responsibility	CSR-related information is updated on the Company's website 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 shareholders' expectations.

The Company's CSR policy and practices fully comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.

The concept of corporate social responsibility is embedded in the strategic decisions and daily operations of all departments. The Board of Directors passed the Taiwan Mobile CSR Policy in 2011 and the Taiwan Mobile CSR Guidelines in 2015, serving as long-term guidelines for promoting corporate social responsibility as well as ensuring effective execution of the Company's commitments to society. With its underlying corporate philosophy and core values serving as the foundation, TWM 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.

Additional information on CSR-related matters:

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



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

Since 2009, Taiwan Mobile’s CSR reports have been verified by an independent third-party, the British Standards Institute, in accordance with its AA1000 assurance standards and Global Reporting Initiative (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 its commitment to management integrity. In 2018, the Company published its 2017 CSR report in conformity with the GRI Sustainability Reporting Standards comprehensive options. KPMG, a well-respected independent institution, issued a limited assurance report on its content in accordance with the Assurance Standard No. 1 of the Republic of China.

Ethical corporate management

Item	Current Practice
1. Establishing a policy on ethical corporate management: (1) Specifying the Company's policy on ethical corporate management in its official charter and material documents, including the board's and management's commitment to its implementation (2) Setting up a system, including operational guidelines, reporting system and punishment for violations, to prevent dishonest behavior (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	1. (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. (2) a) The aforementioned principles and related regulations prohibit directors, managers, employees and other mandataries of the Company from directly or indirectly offering, promising to offer, requesting or accepting any improper benefits, or committing unethical acts that contravene the principle of good faith, are illegal or a breach fiduciary duty. b) 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. (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. 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 rescind the contract.
2. Implementation of ethical corporate management (1) Avoiding transactions with parties that have a record of dishonest behavior, stipulating in all contracts what constitute unacceptable behavior (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	2. (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 accounts and terminate or rescind their contracts any time. (2) The Audit Committee, Remuneration and Nomination Committee and Internal Audit Office were established under the Board of Directors to supervise and audit the practice and implementation of the Company's integrity management. In addition, the Legal Office, which reports to the President directly, is responsible for executing the Company's integrity management policy, setting up guidelines to prevent dishonest behavior and reporting to the Board of Directors at least once a year to ensure the implementation of the highest guiding principles for integrity management. To implement ethical corporate management and prevent unethical conduct, the Company has set up Ethical Corporate Management Best Practice Principles and Operation Rules of Ethical Corporate Management Best Practice Principles

Item	Current Practice
(3) Setting up policies to prevent conflicts of interest and providing channels to report such conflicts	(3) The Company has promulgated policies to prevent conflicts of interest. If there is any proposal that may be harmful to the interest of the Company, board directors who have conflicts of interest with the Company shall recuse themselves from discussing or voting on the issue. Any board director, manager, employee and mandatary must not use his or her position or influence in the Company to obtain improper benefits for himself/herself or any other person. Any breach of ethical corporate management practices can be reported via email or fax hotline to the Company.
(4) Building an effective accounting system and internal control system to carry out ethical corporate management, with internal/external auditors auditing the process.	(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 risk and report the findings to the board on a periodic basis. The Company periodically delegates independent accountants to audit its financial statements and to verify the effectiveness of the internal control system.
(5) Conducting regular internal and external training courses on ethical corporate management	(5) The Company promotes the importance of Ethical Corporate Management Best Practice Principles to directors, managers, employees and mandataries on an annual basis to help them fully understand the need to comply with ethical corporate management practices. The Company also conducts training courses on topics such as ethical corporate management, telecommunication management and personal data protection, and internal control and audit upon request. From 2018 to February 25, 2019, a total of 13,840 training hours were held, with 15,386 participants.
3. Reporting ethical violations (1) Establishing a reporting and incentive system to facilitate the processing of complaints and assigning a person or unit to deal with the cases.	3. (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. a) Supplier complaints can be filed with the Internal Audit Office in written form or via fax to (02) 66361600. b) Employee complaints can be sent to a designated internal email account.
(2) Setting up investigation and confidentiality procedures	(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.
(3) Protecting whistle-blowers from harm	(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 that the whistle-blower is not harmed.

Item	Current Practice
4. Strengthening information disclosure Disclosing related information on ethical corporate management on the Company's website	4. The Company has posted its Ethical Corporate Management Best Practice Principles on the company website and MOPS. Its annual report and corporate social responsibility report further shed light on its execution and enhance corporate transparency.
5. Has the Company promulgated its own ethical corporate management principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies? If yes, describe the differences between the principles and current practices: None.	
6. Other important information to facilitate understanding of the Company's implementation of ethical corporate management practices: (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 biddings. (2) The Company regularly monitors developments in domestic and international ethical corporate management standards and reviews its performance to ensure compliance. The Board of Directors approved amendments to the Ethical Corporate Management Best Practice Principles on February 1, 2018.	

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, Remuneration and Nomination 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, 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
- Setting the target share of independent directors on the board at a minimum of 40%
- Audit Committee was established to ensure fair and independent financial oversight
- Remuneration and Nomination Committee was established to strengthen corporate governance practices, promote a sound compensation system for directors and managers, and select candidates for directorships.
- 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 on an annual basis and have incorporated them into its internal control system to avoid insider trading risks.

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

Board of Directors

Internal Audit Office

Internal Audit Dept.

1. Supervising each business group's establishment and implementation of internal control policies and procedures
2. Carrying out audits of operational units and back offices, reporting audit results to management and tracking remedial measures
3. Monitoring and examining the effectiveness and efficiency of relevant business groups' and subsidiaries' self-assessments
4. Handling employee complaints
5. Coordinating appropriate authorization guidelines and limitations and complying with laws and regulations

Technology Audit Dept.

1. Carrying out audits of technology and information technology unit, reporting audit results to management and tracking remedial measures
2. Monitoring and examining the effectiveness and efficiency of relevant business groups' self-assessments
3. Handling supplier complaints
4. Coordinating Risk Management Committee's strategic planning and operation

2. Has the Company delegated CPAs to review its internal audit system and issued an audit report? No.

3. Internal control statement

Internal Control Statement

Date: January 31, 2019

Taiwan Mobile (TWM) states the following with regard to its internal control system for the year 2018:

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 December 31, 2018, 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 31, 2019, where all of the nine attending directors did not express any dissenting opinion and affirmed the content of the same.

Taiwan Mobile Co., Ltd.

Daniel M. Tsai
Chairman

James Jeng
President

Violation of regulations and internal policies:

(1) The Taipei City Department of Labor in May 2018 inspected working conditions at the Company's direct stores and found breaches of working hours and break time as defined in Article 32, Section 2, and Article 35 of the Labor Standards Act. The breach was an isolated incident, and the Company immediately implemented corrective action.

(2) The National Communications Commission (NCC) fined the Company NT$2.4 million on May 31, 2018 and NT$3 million on November 20, 2018 for lending its access network to Asia Pacific Telecom (APT), which has not yet completed the corrective measures mandated by the NCC. The Company on October 31, 2018 completed its 4G network data service connection interface shutdown and APT stopped using said network in accordance with the NCC's directive.

Major resolutions at the shareholders' and board meetings

1. Major resolutions at the 2018 shareholders' meeting

Issues approved and subsequent execution:

(1) 2017 business report and financial statements

(2) Distribution of 2017 earnings and cash return from capital surplus
Execution: Set record date of ex-dividend on July 16, 2018 and cash payment of NT$5.6 per share on August 1, 2018.

(3) Revisions to the Company's Articles of Incorporation
Execution: Approved by the Ministry of Economic Affairs on July 11, 2018, and the revised rules were posted on the Company's website.

(4) By-election of an independent director
Independent Director: Jamie Lin
Execution: Approved by the Ministry of Economic Affairs on July 11, 2018, and the result was published on the Company's website.

(5) Removal of non-competition restrictions for board directors
Execution: Published on MOPS on June 12, 2018.

2. Major resolutions by the board (from 2018 up to publication date in 2019)

1. 5th meeting of the eighth BoD on February 1, 2018
   - (1) Approved the 2017 business report and financial statements
   - (2) Approved the 2018 consolidated financial forecasts and donation to TWM Foundation
   - (3) Approved the 2018 capital expenditure plan
   - (4) Approved the issuance of unsecured corporate straight bonds
   - (5) Approved the schedule for the 2018 annual general meeting
2. 6th meeting of the eighth BoD on April 27, 2018
   - (1) Approved the 2017 earnings distribution proposal and cash return from capital surplus
3. 8th meeting of the eighth BoD on June 12, 2018
   - (1) Appointed a board member for the Remuneration Committee
4. 10th meeting of the eighth BoD on November 1, 2018
   - (1) Approved change of Chief Technology Officer
5. 11th meeting of the eighth BoD on November 21, 2018
   - (1) Approved the Company's participation in establishing LINE Bank, an online-only bank
6. 12th meeting of eighth BoD on January 31, 2019
   - (1) Approved the 2018 business report and financial statements
   - (2) Approved the 2019 consolidated financial forecasts and donation to TWM Foundation
   - (3) Approved the 2019 capital expenditure plan
   - (4) Approved the procurement of mobile broadband equipment from Nokia Siemens Networks Taiwan Co., Ltd
   - (5) By-election of an independent director
   - (6) Approved change of President and the removal of non-competition restrictions
   - (7) Approved the appointment of Chief Data Officer
   - (8) Approved the acquisition or disposal of right-of-use assets
   - (9) Approved the schedule for the 2019 Annual General Meeting

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

Major dissenting comments over board meeting resolutions from 2018 up to publication date in 2019: None

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

As of February 25, 2019

Title	Name	Date of taking office	Date of resignation	Reason for resignation/discharge
Vice Chairman	Richard M. Tsai	2016/10/12	2018/08/27	Resigned
Senior Vice President and Chief Technology Officer	C.H. Jih	2014/02/10	2018/09/22	Resigned

Certified Public Accountant (CPA) Information

1. CPA service fees

Accounting firm	Name of CPA	Period covered by CPA's audit	Remarks
Deloitte & Touche	Li-Wen Kuo Kwan-Chung Lai	2018.01.01~2018.12.31	None

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:

Unit: NT$'000

Accounting firm	Name of CPA	Audit fee	Non-audit fee					Period covered by CPA's audit	Remarks
			System design	Company registration	Human resources	Others	Total		
Deloitte & Touche	Li-Wen Kuo Kwan-Chung Lai	8,944	-	-	-	3,783	3,783	2018.01.01 ~ 2018.12.31	Fees for other non-audit services were mainly for tax-related consultations and consultant fees

(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: None

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, 2018
Unit: shares, %, foreign currency

Long-term investments under equity method (Note 4)	Investment by TWM		Investment by TWM's directors, managers and its directly or indirectly controlled businesses		Total investment	
	Shares (Note 2)	Holding (%)	Shares (Note 2)	Holding (%)	Shares (Note 2)	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 Tech Co., Ltd.	6,000,000	14.40%	–	–	6,000,000	14.40%

Note 4: Investments accounted for using equity method

Changes in shareholdings of directors, managers and major shareholders

1. Minor changes in shareholder structure

Unit: shares

Title	Name	2018		2019 (as of February 25)	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding	Net change in shares pledged
Chairman	Fu Chi Investment Co., Ltd. Representative: Daniel M. Tsai	0	0	0	0
Director	Fu Chi Investment Co., Ltd. Representative: Richard M. Tsai				
Director	Fu Chi Investment Co., Ltd. Representative: San-Cheng Chang				
Director	TCC Investment Co., Ltd. Representative: Howard Lin	0	0	0	0
Director	TCC Investment Co., Ltd. Representative: James Jeng				
Independent Director	Jack J.T. Huang	0	0	0	0
Independent Director	Hsueh-Jen Sung	0	0	0	0
Independent Director	Char-Dir Chung	0	0	0	0
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 Business Officer	Jeff Ku	(2,243)	0	0	0
VP and General Counsel	Ariel Hwang	0	0	0	0
VP and Chief Information Officer	James Chang	0	0	0	0
VP and Acting Chief Technology Officer	Tom Koh	0	0	0	0

Title	Name	2018		2019 (as of February 25)	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding	Net change in shares pledged
Vice President	Jay Hong	0	0	0	0
Vice President	Iris Liu	0	0	0	0
Vice President	Naomi Lee	0	0	0	0
Vice President	C.H. Wu	0	0	0	0
Vice President	Steve Chou	0	0	0	0
Vice President	Daphne Lee	0	0	0	0
Vice President	David Lin	0	0	0	0
Vice President	Michael Teng	0	0	0	0
Vice President	Eddie Chan	0	0	0	0
Chief Accounting Officer	Darren Shih	0	0	0	0
Independent Director	Jamie Lin (took office on June 12, 2018, resigned on February 11, 2019)	0	0	0	0
Independent Director	Chung-Ming Kuan (resigned on January 12, 2018)	0	0	NA	NA
SVP and Chief Technology Officer	C.H. Jih (resigned on September 22, 2018)	0	0	NA	NA

2. Shareholding transferred with related party: None

3. Stock pledged with related party: None

Relationship between TWM's top 10 shareholders

As of July 16, 2018

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. Richard M. Tsai TCCI Investment and Development Co., Ltd.	A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman B is a director at A A and B have the same chairman
Chairman: Daniel M. Tsai	65,162,715	1.90%	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 M. 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 relative within two degrees of B's chairman A is B's chairman B is A's relative within two degrees A is B's chairman
Shin Kong Life Insurance Co., Ltd.	338,386,000	9.89%	–	–	None	None
Chairman: Tung-Chin Wu	–	–	–	–	None	None
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. Richard M. Tsai TCCI Investment and Development Co., Ltd.	A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman B is a director at A A and B have the same chairman
Chairman: Daniel M. Tsai	65,162,715	1.90%	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 M. 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 relative within two degrees of B's chairman A is B's chairman B is A's relative within two degrees A is B's chairman

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's shareholders who are defined as related parties, spouse or a relative within two degrees	
	Shares	%	Shares	%	Name (B)	Relationship
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. Richard M. Tsai TCCI Investment and Development Co., Ltd.	A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman B is a director at A A and B have the same chairman
Chairman: Daniel M. Tsai	65,162,715	1.90%	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 M. 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 relative within two degrees of B's chairman A is B's chairman B is A's relative within two degrees A is B's chairman
Fubon Life Insurance Co., Ltd.	150,880,400	4.41%	–	–	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd.	B's chairman is a relative within two degrees of A's chairman B's chairman is a relative within two degrees of A's chairman B's chairman is a relative within two degrees of A's chairman B's chairman is a relative within two degrees of A's chairman B is A's chairman B's chairman is a relative within two degrees of A's chairman
Chairman: Richard M. Tsai	93,310,663	2.73%	5,086,496	0.15%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. TCCI Investment and Development Co., Ltd.	A is a director at B A is a director at B A is a director at B A is B's chairman A is a director at B A is a director at B
Cathay Life Insurance Co., Ltd.	113,751,900	3.33%	–	–	None	None
Chairman: Tiao-Kuei Huang	–	–	–	–	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. Richard M. 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 B's chairman is a relative within two degrees of A's chairman B is a director at A 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
Chairman: Daniel M. Tsai	65,162,715	1.90%	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 M. 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 relative within two degrees of B's chairman A is B's chairman B is A's relative within two degrees A is B's chairman
Richard M. Tsai	93,310,663	2.73%	5,986,496	0.15%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. TCCI Investment and Development Co., Ltd.	A is a director at B A is a director at B A is a director at B A is B's chairman A is a director at B A is a director at B
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. Richard M. Tsai	A and B have the same chairman A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman B is a director at A
Chairman: Daniel M. Tsai	65,162,715	1.90%	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 M. 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 relative within two degrees of B's chairman A is B's chairman B is A's relative within two degrees A is B's chairman
Chunghwa Post Co., Ltd.	71,465,556	2.09%	–	–	None	None
Chairman: Chien-Hung Wei	–	–	–	–	None	None

Note: Shareholding percentage is calculated based on outstanding shares of 3,420,832,827 shares as of July 16, 2018

Chapter 3 Financial Information

Capital and shares

Source of capital

As of February 25, 2019

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
Nov. 2018	10	6,000,000,000	60,000,000,000	3,420,851,929	34,208,519,290	Convertible bond: 191,020		Authorization No. 1050043485 November 7, 2016

As of February 25, 2019

	Authorized capital			Remarks
	Listed shares	Unissued shares	Total	
Common stock	3,420,851,929	2,579,148,071	6,000,000,000	None

Information related to shelf registration: None

Note: 5,434,542 out of the total outstanding shares of 3,426,286,471 shares as of February 25, 2019 have not been altered for capital registration

Shareholder structure

As of July 16, 2018

	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions & individuals	Total
No. of shareholders	7	22	355	48,352	831	49,567
Total shares owned	245,830,556	774,171,459	1,378,821,073	376,047,570	645,962,169	3,420,832,827
Holding percentage (%)	7.19	22.63	40.31	10.99	18.88	100.00

Shareholding distribution

As of July 16, 2018

1. **Common shares**

Shareholding range	No. of shareholders	Total shares owned	Holding percentage
1 ~ 999	15,922	5,214,544	0.15%
1,000 ~ 5,000	26,355	52,496,827	1.53%
5,001 ~ 10,000	3,545	27,385,329	0.80%
10,001 ~ 15,000	1,016	12,787,222	0.37%
15,001 ~ 20,000	661	12,033,132	0.35%
20,001 ~ 30,000	586	14,854,241	0.43%
30,001 ~ 50,000	471	18,681,708	0.55%
50,001 ~ 100,000	349	25,062,054	0.73%
100,001 ~ 200,000	201	29,049,203	0.85%
200,001 ~ 400,000	124	34,176,436	1.00%
400,001 ~ 600,000	67	33,269,996	0.97%
600,001 ~ 800,000	38	26,551,346	0.78%
800,001 ~ 1,000,000	34	30,352,122	0.89%
1,000,001 and above	198	3,098,918,667	90.60%
Total	49,567	3,420,832,827	100.00%

2. **Preferred shares: None**

Major shareholders

As of July 16, 2018

Name	Total shares owned	Holding percentage
TFN Union Investment Co., Ltd.	410,665,284	12.00%
Shin Kong Life Insurance Co., Ltd.	338,386,000	9.89%
TCC Investment Co., Ltd.	200,496,761	5.86%
Ming Dong Co., Ltd.	184,736,452	5.40%
Fubon Life Insurance Co., Ltd.	150,880,400	4.41%
Cathay Life Insurance Co., Ltd.	113,751,900	3.33%
Dao Ying Co., Ltd.	113,609,742	3.32%
Richard M. Tsai	93,310,663	2.73%
TCCI Investment & Development Co., Ltd.	87,589,556	2.56%
Chunghwa Post Co., Ltd.	71,465,556	2.09%

Note: Shareholding percentage is calculated based on outstanding shares of 3,420,832,827 shares as of July 16, 2018

Major shareholders of TWM's institutional investors

Institutional investors	Major shareholders
TFN Union Investment Co., Ltd.	Taiwan Fixed Network Co., Ltd. (100%)
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holding Co., Ltd. (100%)
TCC Investment Co., Ltd.	Taiwan Cellular Co., Ltd. (100%)
Ming Dong Co., Ltd.	Fubon Land Development Co., Ltd. (16.37%), Fubon Construction Co., Ltd. (13.90%), Fu-Chi Investment Co., Ltd. (12.64%), Ru Chi Investment Co., Ltd. (12.64%), Dao Chi Investment Co., Ltd. (12.64%), Chung Shing Development Co., Ltd. (11.78%), Dao Ying Co., Ltd. (9.60%), Fubon Charity Foundation (3.33%), Fubon Cultural and Educational Foundation (2.52%), Daniel M. Tsai (1.82%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)
Cathay Life Insurance Co., Ltd.	Cathay 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%), Daniel M. Tsai (1.52%), Richard M. Tsai (1.51%), Fubon Charity Foundation (1.01%)
TCCI Investment & Development Co., Ltd.	TCC Investment Co., Ltd. (100%)
Chunghwa Post Co., Ltd.	Ministry of Transportation and Communications (100%)

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

<table>
<tr><th colspan="3"></th><th>2017</th><th>2018</th><th>As of February 25, 2019</th></tr>
<tr><td rowspan="3">Share price (NT$)</td><td colspan="2">High</td><td>116.50</td><td>112.00</td><td>110.00</td></tr>
<tr><td colspan="2">Low</td><td>102.00</td><td>104.50</td><td>106.00</td></tr>
<tr><td colspan="2">Average</td><td>109.06</td><td>108.42</td><td>108.45</td></tr>
<tr><td rowspan="2">Net worth per share (NT$)</td><td colspan="2">Before earnings appropriation</td><td>21.91</td><td>22.71</td><td>–</td></tr>
<tr><td colspan="2">After earnings appropriation</td><td>16.31</td><td>(Note 1)</td><td>–</td></tr>
<tr><td rowspan="2">Earnings per share (NT$)</td><td colspan="2">Adjusted weighted average outstanding shares (‘000 shares)</td><td>2,722,081</td><td>2,722,519</td><td>–</td></tr>
<tr><td colspan="2">Earnings per share</td><td>5.21</td><td>5.01</td><td>–</td></tr>
<tr><td rowspan="4">Dividends per share (NT$)</td><td colspan="2">Cash dividends</td><td>5.6</td><td>(Note 1)</td><td>–</td></tr>
<tr><td rowspan="2">Stock dividends</td><td>Retained earnings</td><td>–</td><td>(Note 1)</td><td>–</td></tr>
<tr><td>Capital surplus</td><td>–</td><td>(Note 1)</td><td>–</td></tr>
<tr><td colspan="2">Accumulated unpaid dividends</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td rowspan="3">PE and dividend yield (Note 2)</td><td colspan="2">Price earnings ratio (x)</td><td>20.93</td><td>21.64</td><td>–</td></tr>
<tr><td colspan="2">Price to cash dividend (x)</td><td>19.48</td><td>–</td><td>–</td></tr>
<tr><td colspan="2">Cash dividend yield (%)</td><td>5.13</td><td>–</td><td>–</td></tr>
</table>

Note 1: The appropriation amount for 2018 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 proposed dividend allocation for 2018 as of 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 posted on TWM’s official website.

Impact of stock dividend distribution on business performance and EPS

The BoD has not yet approved the dividend allocation proposal for 2018 as of publication date.

Employees' and directors' compensation

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

If the Company posts an annual profit, it shall set aside 1% to 3% of the profit as employee bonuses and not more than 0.3% of the profit as compensation for directors. However, if the Company posts a loss, it shall first reserve a certain amount to offset the losses, then allocate the remainder for employee bonuses and directors' compensation.

Recipients are to include qualified employees of TWM subsidiaries.

2. Accounting treatment for the deviation between the estimated and actual distribution amount of employees' and directors' compensation

The Company accrues employee bonuses and directors' compensation proportionally from the pre-tax income before deducting employee bonuses and directors' compensation. Should there be a deviation between the actual distribution amount and the accrued amount in the annual financial reports after their publication date, the difference should be treated as changes in accounting estimates and adjusted in the following year.

3. 2018 employees' and directors' compensation proposals adopted by the BoD

(1) Employees' and directors' compensation paid in the form of cash or shares and differences/reasons/treatments of accrued numbers if any:

The 2018 employee bonuses and directors' compensation approved by the BoD on January 31, 2019 totaled NT$459,368 thousand and NT$45,937 thousand, respectively, in the form of cash, while the accrued amounts in the 2018 financial reports were NT$432,341 thousand and NT$43,234 thousand, respectively. The differences between the actual distribution and the accrued amounts of NT$27,027 thousand and NT$2,703 thousand, respectively, were treated as changes in accounting estimates and adjusted in 2019.

(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 directors' compensation in the previous year

Actual employee cash bonuses and directors' compensation distributed from 2017 earnings were NT$453,359 thousand and NT$45,336 thousand, respectively, while the accrued amounts in the 2017 financial reports were NT$438,728 thousand and NT$43,873 thousand, respectively. The differences between the actual distribution and the accrued amounts of NT$14,631 thousand and NT$1,463 thousand, respectively, were treated as changes in accounting estimates and adjusted in 2018.

Share buyback: None.

Corporate bond issuance

Corporate bonds

As of Feb. 25, 2019

Issuance		Third Unsecured Corporate Bond	Fifth Unsecured Corporate Bond	Third Domestic Unsecured Convertible Bond
Issue date		December 20, 2012	April 20, 2018	November 22, 2016
Denomination		NT$10,000,000	NT$10,000,000	NT$100,000
Issuance and listing		Not applicable	Not applicable	Not applicable
Issue price		100% of par value	100% of par value	100% of par value
Total amount		NT$9,000,000,000	NT$15,000,000,000 Tranche A：NT$6,000,000,000 Tranche B：NT$9,000,000,000	NT$10,000,000,000
Coupon		1.34% p.a.	Tranche A：0.848% p.a. Tranche B：1.000% p.a.	0% p.a.
Term		7 years, maturing on Dec. 20, 2019	Tranche A：5 years, maturing on April 20, 2023 Tranche B：7 years, maturing on April 20, 2025	5 years, maturing on Nov. 22, 2021
Guarantor		None	None	None
Trustee		Hua Nan Bank, Trust Division	Bank of Taiwan	Bank of Taiwan
Underwriter		None	Yuanta Securities Co., Ltd.	Yuanta Securities Co., Ltd.
Legal counsel		Bang Shang Lin, Attorney	Jim Chen, Attorney	Tai Yuan Huang, Attorney
Auditor		Simon Chen, CPA KPMG	Li-wen Kuo, CPA, and Kwan-chuang Lai, CPA, Deloitte & Touche	Li-wen Kuo, CPA, and Kwan-chuang Lai, CPA, Deloitte & Touche
Repayment		Repayment of 50% of the principal in the 6th year and the remaining 50% in the 7th year	Bullet repayment	All bonds shall be redeemed in cash on the maturity date at par value unless otherwise converted in accordance with Clause 10 of the Procedures for Issuance and Conversion of TWM's 3rd domestic unsecured convertible bonds (the Procedures) by the holders of the bonds into the common shares of the company, the put option being exercised in accordance with Clause 19 of the Procedures by the holders of the bonds, early redeemed in accordance with Clause 18 of the Procedures by the company, or repurchased from securities firms and cancelled by the company prior to the maturity date.
Outstanding balance		NT$4,500,000,000	NT$15,000,000,000	NT$9,429,000,000
Early repayment clause		None	None	Please refer to the Procedures for Issuance and Conversion of TWM's 3rd domestic unsecured convertible bonds.
Covenants		None	None	None
Credit rating agency, rating date, company credit rating		Fitch Australia Pty Ltd, Taiwan Branch 2018.11.12, AA(twn)	None	None
Ancillary rights	Amount converted/ exchanged into common shares, ADRs or other securities	Not applicable	Not applicable	NT$571,000,000

Issuance		Third Unsecured Corporate Bond	Fifth Unsecured Corporate Bond	Third Domestic Unsecured Convertible Bond
	Rules governing issuance or conversion (exchanged or subscription)	Not applicable	Not applicable	Please refer to the Procedures for Issuance and Conversion of TWM's 3rd domestic unsecured convertible bonds.
Dilution and other effects on shareholders' equity		Not applicable	Not applicable	Based on the conversion price of NT$104.70, if all the bonds are converted into common shares, the maximum share dilution would be 2.72%.
Custodian		Not applicable	Not applicable	Not applicable

Convertible bond information:

Corporate bond type		Third Domestic Unsecured Convertible Bond		
Item / Year		**2017**	**2018**	**2019 (As of February 25, 2019)**
Market price of convertible bonds (NT$)	Highest	102.55	105.00	104.50
	Lowest	100.25	101.70	102.80
	Average	101.43	103.55	103.46
Conversion price (NT$)		110.30	104.70	104.70
Issue date and conversion price at issuance		Issue date: Nov. 22, 2016 Conversion price at issuance: NT$116.10		
Conversion method		Issuing new shares		

Exchangeable bonds: None

Shelf registration issuance: None

Bonds 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

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	● Voice, data and mobile value-added services for consumers	● Voice and data mobile services for enterprises ● Fixed-line services ● Cloud and enterprise total solutions	● Pay TV services ● Cable broadband services	● E-commerce ● TV home shopping

Unit: NT$mn

	Telecom business		Cable TV business (CATV)	Retail business
	Mobile business	Fixed-line broadband business		
Market position	Second-largest mobile operator in a five-player market, with a market share of around 28% in terms of mobile service revenue	One of top three internet service providers (ISP), with a market share of 4.4%	Fourth-largest multiple system operator (MSO), covering about 11% of households in Taiwan	Ranked first in B2C e-commerce
2018 revenue*	70,031		6,345	42,017
2018 EBITDA*	26,192		3,188	1,743

* Source: 2018 financial reports. The difference between the sum of each division and consolidated numbers was due to inter-division adjustments and eliminations.

Scope of Business

Business overview

<u>Telecom Business</u>

1. Telecom products and services

Consumer Business Group (CBG)

Besides providing basic mobile voice and broadband services, the Company also offers diversified value-added services to meet customers' needs for entertainment and smart living. These value-added services include video and music streaming, mobile commerce, instant messenger, IoT related services and wearable devices.

Enterprise Business Group (EBG)

The Enterprise Business Group offers information and communication integrated total solutions to enterprise clients. Backed by its solid experience in telecoms, ranging from mobile and fixed-line voice & data to internet and cloud services, TWM can serve as a partner in AI, IoT, cloud, ICT and information security services for enterprise clients.

2. Telecom revenue breakdown

Unit: NT$mn

Item \ Year	2018	
	Revenue	**% of total**
Service revenue	53,457	76%
Device sales	16,574	24%
Total	70,031	100%

3. New telecom products and services

Consumer Business Group

(1) Tariff: Continue to roll out innovative rate plans catering to different segments based on Big Data analysis.

(2) Diversified value-added services: Develop innovative services and versatile content not only for mainstream handheld devices, but also for wearables or IoT equipment.

Enterprise Business Group

(1) TWM Cloud PBX service:

By implementing TWM Cloud PBX service, physical private branch exchange (PBX) as well as desk phone will no longer be needed. If someone dials extension number, the call will show not only on desk phone but also on mobile phone. No calls will be missed. Furthermore, all calls among branches are free. Thus, enterprises can not only improve communicating efficiency, but also lower cost.

(2) Information security solutions:

TWM provides comprehensive information security solutions, including multilayer anti-DDoS, managed security services, vulnerability assessment, intrusion prevention system, and information security integrated services and equipment. Other solutions, such as APT (Advanced Persistent Threat) protection, are under development.

(3) NCHC AI cloud services:

TWM, Quanta Computer and Asustek Computer helped the National Center for High-performance Computing (NCHC) build Taiwania 2 – an AI high-speed computing platform – to develop AI applications for IoT, smart city, fintech and smart medical solutions in 2019.

(4) SME integrated solutions:

TWM offers vital services such as Cloud Storage, Cloud PBX and Azure Stack cloud services that can be integrated with other telecom services to provide small and medium-sized enterprises with total solutions.

(5) IoT device connection platform:

TWM has, in cooperation with AT&T and Ericsson, developed an IoT device connection platform (DCP). With enhanced information security protection, enterprises can track, analyze and manage all company vehicles through this platform. TWM plans to form other partnerships with foreign telecom companies to tap inbound business opportunities and with auto parts manufacturers to discover outbound business opportunities.

Cable TV Business (Home Business Group)

1. CATV products and services

Leveraging off the group's resources – from mobile and fixed-line to innovative cloud technology – HBG provides digital convergence services across "multi-screens and a cloud" to home users. The group holds a cable television system operator's license and a Type II telecommunication license. Its main operations cover a variety of products and services, including cable TV, HD digital TV, high-speed fiber-optic internet access, OTT service platform, digital TV channel content agency, personal video recorder, HomeSecurity service for households, HomeSecurity service for businesses and HealthCare service. In addition, its subsidiary, TV production company Taiwan Win TV Media Co., Ltd., offers original content, such as the "momo family channel", the HD channel for children, 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 to become a leading name in digital convergence.

2. CATV revenue breakdown

Unit: NT$mn

Year / Item	2018	
	Revenue	**% of total**
Pay TV	3,727	59%
Broadband	1,398	22%
TV content agency and others*	1,220	19%
Total	6,345	100%

* Including channel leasing revenues

3. New CATV products and services

(1) HD digital TV services:

TWM Broadband has led the industry in ushering in a whole new era in home entertainment with its introduction of 4K content.

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

Given the increasing demand for high-speed Internet access, TWM Broadband offers 500Mbps fiber-optic internet access solution. In the near future, DOCSIS 3.1 network technology and infrastructure will be adopted to deliver speeds of up to 1Gbps.

(3) Digital home services:

TWM Broadband was the first to offer an open platform integrating internet TV, video on demand (VOD) and connected TV with cloud framework and fiber-optic network technology to allow users to watch video on demand through an OTT set-top box.

Retail Business (momo.com Inc.)

1. Retail products and services

momo offers e-commerce and TV home shopping services.

(1) e-commerce

a) Supplier recruitment service

momoshop: Recruits suppliers across Taiwan to provide clients with premium products and the best services.

momomall: Assists suppliers interested in e-commerce to establish and operate online platforms.

b) Product offering

momoshop: Sells over 2.5 million stock keeping units (SKUs), 25% of which offer 24-hour delivery guarantee.

momomall: Hosts over 4, 700 suppliers with 50 million SKUs.

c) Customer service

Provides 24-hour online customer service and a supplier contact platform to satisfy customers' shopping needs.

(2) TV home shopping

Self-owned professional studio and filming team provides 24-hour momo TV programs for 5 million cable TV and 2 million MOD households nationwide.

Provides 0800 toll-free hotline and mobile app for consumers to purchase products featured on momo TV programs or the momo TV app. A customer service team works around the clock to answer questions about product features, purchase and return policy.

2. Retail revenue breakdown

Unit: NT$mn

Year / Item	2018 Revenue	2018 % of total
E-commerce	35,389	84%
TV home shopping and others	6,628	16%
Total	42,017	100%

3. New categories and services

(1) momoshop has continued to introduce more international brands and to enhance long-term relationships with brand partners. With the aid of key opinion leaders, live-streaming, social commerce marketing and cross-selling within Fubon Group, momo has added new categories, such as books, used cars and fresh food, to boost sales. Its TV home shopping has also continued to develop new categories and introduce more overseas niche products to enhance its unique platform and broaden its customer base.

(2) momo has stepped up its logistics network build-out to accelerate last-mile delivery for e-commerce. As part of its three-hour delivery service plan in Greater Taipei, it has expanded its fleet of scooters to provide prompt delivery of select items, such as fresh food and household products, to offer customers greater convenience. Besides text-based searches, momo plans to launch visual and voice searches to improve users' experience.

(3) momo's TV home shopping business has steadily adapted to changes in consumer's lifestyle and trends. To enhance engagement with its client base and boost customer stickiness, it has expanded its TV fan clubs' operation, launched a TV app, broadcast live-stream videos on Facebook since 2015 and listed two channels on MOD in 2017. It has also laid out plans for cooperation with major OTT operators.

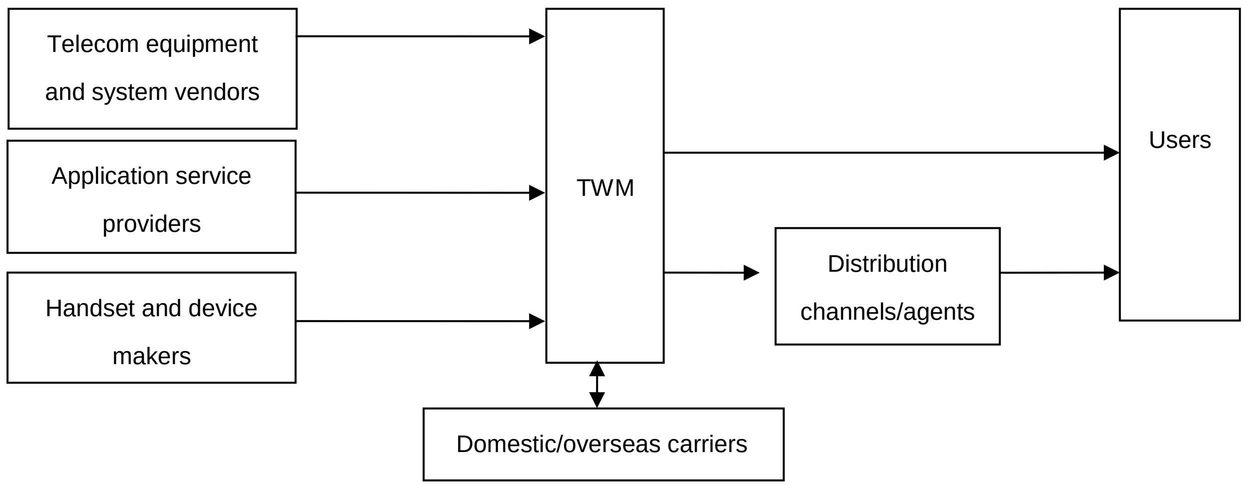
Industry overview

Consumer Business Group

1. Industry status and development

The telecom industry has entered a pure 4G era in 2019, with mobile internet access quality and content services becoming the core competencies. The National Communications Commission (NCC) is expected to auction off 5G spectrums in 2020. The development of Internet of Things and artificial intelligence applications should promote the emergence of new business models.

2. Industry value chain



3. Product development trends and competitive landscape

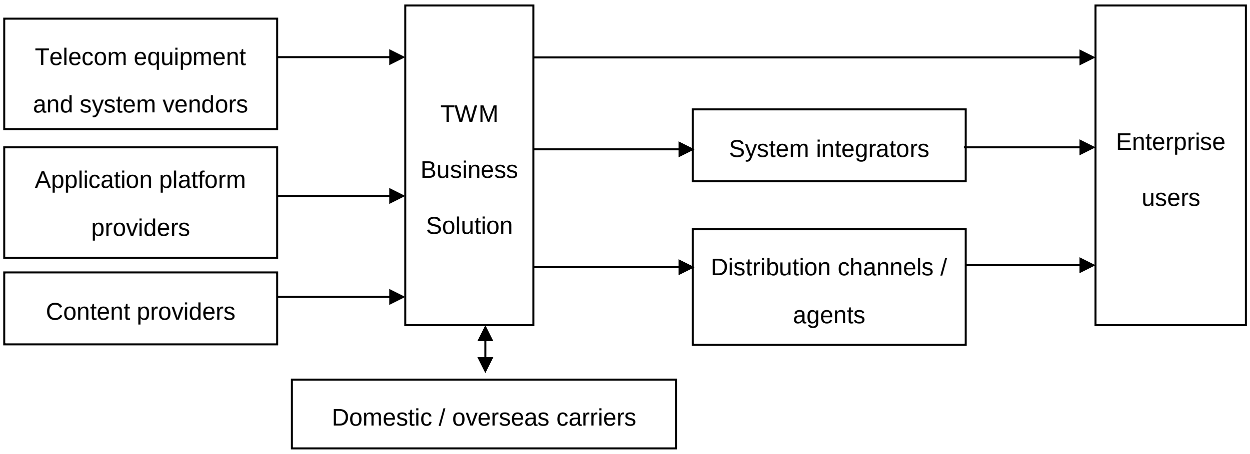
Given longer mobile phone lifecycles, rising SIM-only subscriptions, and increasing demand for wearable devices and audiovisual content, product bundling has become the blue ocean strategy, as telecoms compete not only on pricing and mobile internet access quality, but also on content differentiation and product diversity.

Enterprise Business Group

1. Industry status and development

According to the NCC, there were 83 Type I telecommunication providers, including four fixed-line operators, 15 mobile operators and other circuit leasing operators, and 390 Type II telecommunication providers, such as ISR, ISP, VoIP and other value-added service providers. Given intense competition in the fixed-line market and the growing trend toward cloud 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 shows that Chunghwa Telecom (CHT) has a virtual monopoly of the telecom market. It has an over 90% share of local network service revenue, and about 50% of long-distance network service and international network service revenue.

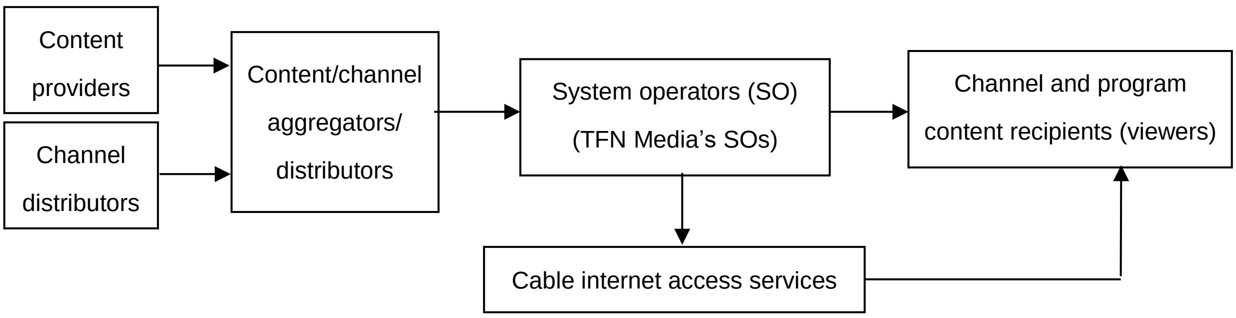
Cloud, IoT and enterprise mobility applications will be the main trends in the future. Carriers will provide various efficient and effective mobile commercial application services to enhance the competitiveness of enterprise clients.

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 (e.g., OTT video streaming) that have successively entered the market. The cable TV industry is now facing a critical period of transformation.

2. Industry value chain



Thanks to its control over "last mile" access to customers, TWM Broadband is aiming to take the lead in vertical integration to build up its core competitiveness and explore new business opportunities in the digital age.

3. Product development trends and competitive landscape

Fixed broadband is a saturated market that is dominated by Chunghwa Telecom and characterized by slowing growth. Nonetheless, TWM Broadband managed to grow its subscriber number in the cable internet business by following the examples of PCCW in Hong Kong, and AT&T and Comcast in the US of bundling cable broadband products with HD digital TV services and video on demand in its CATV market. To fend off competition, TWM Broadband has not only upgraded its high-speed broadband internet access service quality, but also increased the number of HD programs and provided various platforms for viewing TV programs and more innovative digital value-added services in line with households' digital application service needs.

Retail Business

1. Industry status and development

The proliferation of CATV, digital TV and smart devices has given rise to a new breed of home shoppers. Consumers can order by telephone or through virtual platforms, choosing from a plethora of convenient payment options and receive the product within a short period.

2. Industry value chain

momo sources its products from suppliers of 3C electronics, 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) E-commerce: Although momo entered the market later than industry peers such as Yahoo! Taiwan and PChome Online, it has made major strides as a comprehensive B2C e-commerce player, growing rapidly by leveraging its know-how in TV home shopping. momo is the largest B2C operation in Taiwan.

(2) TV home shopping: Aside from momo, leading players in the industry include Easter Home Shopping (EHS) and viva. The rise of virtual shopping platforms, such as e-commerce and mobile commerce, has intensified competition in TV home shopping. momo has countered this by launching its own mobile apps and leveraging its social platform and capabilities, including live streaming, to bolster engagement with its members and customer base

Research and development expenditure

Research and development expenses totaled NT$707,454 thousand in 2018 and NT$51,286 thousand in January 2019. Continued investment in the research and development of more advanced technologies is expected to increase customer satisfaction, which in turn should boost value-added service revenue and overall operations growth.

Major research and development achievements

Project name	Description
Study of massive machine-type communications in 5G	5G mobile communications can be classified into three categories: enhanced mobile broadband (eMBB), massive machine-type communications (mMTC) and ultra-reliable low latency communications (URLLC). This project is focused on mMTC. It aims to study how signal waveforms can be designed so that multi-user detection techniques at base stations can improve transmission capacity by eliminating interference. As energy efficiency is affected by the amount of data transmissions from IoT devices to base stations, this project also seeks to study how multi-user detection techniques should be modified to facilitate synchronization between these devices and base stations.
myVideo	Integrate TAMedia to provide video advertising business model to increase revenue. Support Dolby Digital 5.1, cooperate with Twitch channels, extend service to more OTT devices, and enhance video recommendations.
myBook	Provide text-to-speech function and Free Zone service to improve user experience and engagement. Extend sales channel to momo e-commerce store to boost revenue.
myAir	Design and develop portable PM 2.5 detectors and exclusive myAir App to provide intelligent automatic detection, hazard alerts, historical tracking analysis and cloud services.
MyMusic	Develop voice-controlled functions with Google Assistant. Extend sale channels to momo e-commerce store and Asia Pacific Telecom to increase revenue. Broadcast South Korea Melon Music Awards 2018 live event to MyMusic customers.

Sales development plans

Consumer Business Group

1. Short-term plan

(1) Make good use of Fubon Group resources to acquire new customers and increase sales of self-owned channels, such as direct stores, internet store and telemarketing.

(2) Provide diversified offerings to create differentiation and focus on churn prevention to minimize loss of customers.

2. Medium to long-term plan

To optimize the quality of data transmission in order to meet user's needs, TWM has continued to develop various digital convergence services, such as myVideo, MyMusic and myBook:

(1) myVideo: Keep developing large-screen video viewing channels and enhancing marketing cooperation and data analysis; leverage group resources to invest in the production of exclusive content; and optimize personalized video recommendations to improve user experience and loyalty.

(2) MyMusic: Take advantage of group resources to accumulate new users and create synergies, and develop innovative business models to attract more young people.
(3) myBook: Use minimal manpower and resources to operate myBook's subscription service and provide customers with a better user experience to increase user stickiness.

Enterprise Business Group

1. Short-term plan

(1) Continue to develop services and total solutions that improve enterprise efficiency for clients.
(2) Cooperate with internationally famous cloud operators to provide comprehensive cloud solutions. A specialized sales team is to be set up to cater to enterprise clients.
(3) Expand venture into government-related markets to grasp new business opportunities.

2. Long-term plan

The company's vision is to expand its telecom-centric services to cover mobile applications, IoT, information security and cloud services through steady investments in the following:

(1) Organizational restructuring and skills improvement by making strategic investments and merging key technologies.
(2) IoT, cloud and AI total solutions for enterprise clients.
(3) Channel integration to raise sales productivity and expand SME market innovative services through mobile and cloud platforms.

Home Business Group

1. Short-term plan

(1) TWM Broadband will continue to optimize its network infrastructure in regions where it is already operating CATV systems and provide more HD digital content and video on demand to set the foundation for its digital services.
(2) TWM Broadband plans to launch over 500Mbps super high-speed internet access service and HD digital TV service to boost its cable broadband and digital TV service penetration rates, increase its ratio of high-speed broadband internet users and increase its subscriber numbers.

2. Long-term plan

With the CATV industry becoming fully digitalized, the Home Business Group plans to integrate HD digital content, multiple-viewing terminal devices, high-speed fiber-optic internet access services and cloud technology to introduce more innovative and value-added digital TV services, allowing families and individual subscribers to enjoy the benefits of "multi-screens and a cloud" (i.e., mobile phones, PCs, tablets and TVs) and lead them further toward smart living.

Retail Business

1. Short-term plan

(1) E-commerce:

Provide differentiated and value-added services: Leverage big data analysis and recommend more personalized products to customers.

Increase sales weighting of KOL sales channel: Introduce profit-sharing mechanisms to increase revenue contributions from community shopping websites.

Integrate offline and online loyalty programs: Use big data technologies to optimize product portfolios and create synergies between brands and momoshop.

(2) TV home shopping: Enhance distribution channel's competitiveness by listing more branded products from overseas, cultivating fan bases on social platforms, such as Facebook and LINE, and cooperating with e-commerce suppliers to expand product offerings.

2. Medium to long-term plan

(1) E-commerce: Increase market share to further dominate B2C market by implementing a multi-channel sales strategy, optimizing search functions, and facilitating short-chain logistics efficiency.

(2) TV home shopping: Take a pro-active approach in raising momo's brand image, further exploit Southeast Asia's TV shopping market, export best-selling products across multiple countries, leverage the group's marketing resources and sales channels to enhance operating efficiency, and provide innovative services through mobile and cloud platforms.

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

As of the end of 2018, the penetration rate for mobile subscription was 124%, signifying a saturated market. However, along with the fast adoption of mobile internet and rapid innovation of mobile devices, the demand for mobile broadband, smart devices and value-added services have grown dramatically.

3. Competitive advantages

(1) Diversification strategy

The Company integrates telecom, cable and e-commerce to provide diversified telecom bundle plans and increase user stickiness through cross-selling.

(2) Low frequency spectrum advantage

The Company is the only operator in the industry with a low-band 700MHz spectrum of up to 20MHz, giving it high coverage and penetration in urban areas and allowing it to provide high-quality telecommunication services at a reasonable cost.

(3) Universal service for digital convergence

The Company provides customers with universal service for digital convergence, such as myVideo, MyMusic and myBook.

4. Opportunities and challenges

Positive factors

(1) The rapid growth in 4G adoption has altered the landscape for mobile internet, enriching the variety of value-added services and bringing a massive influx of data on consumer behavior that promise huge business opportunities.

(2) Telecom operators are industry pioneers in IoT and innovative mobile technologies.

Negative factors

(1) Changes in how consumers communicate have placed telecom operators' voice revenue under pressure.

(2) The popularity of 4G unlimited data rate plans limits growth in mobile service revenue.

Countermeasures

(1) The Company maps out strategies based on big data and concentric diversification.

(2) Based on the diversification strategy, the Company provides diversified mobile bundle plans and proactively develops innovative value-added services to boost overall mobile service revenue.

Enterprise Business Group

1. Main products and service areas

EBG provides international services in 247 countries. As of the end of 2018, its roaming services covered the following: 3G: 182 countries, 352 networks; 4G: 97 countries, 152 networks.

2. Market status

Enterprise clients still need voice, data and internet services. Revenue from services related to mobility, IoT, information security, cloud applications and ICT total solutions has potential to grow significantly.

(1) Mobile and data services: Given the rising demand for enterprise data access, revenue from IP VPN and Metro Ethernet should remain the main contributor. As the demand for office mobility increases, TWM is helping enterprise customers incorporate various mobile applications 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.

(2) Cloud and IoT services: Cloud and IoT applications are becoming more mature as time advances. TWM is working with top partners to integrate different cloud and IoT solutions, which promise huge revenue potential for enterprise clients, and test them in field experimentations.

(3) Information security: The rapid development of enterprise cloud services and IoT has made enterprises more vulnerable to security attacks, such as DDoS. Regulators are seeking to expand information security rules to combat such attacks. This should boost the number of enterprise information security clients and lift revenue.

(4) Enterprise integrated solutions: TWM has formed alliances with leading partners from different industries to provide comprehensive enterprise integrated solutions, including mobile applications, IoT, big data applications, security and vertical solutions. These should boost telecom service revenue.

(5) Voice and internet services: Enterprise clients' need for fixed lines for local and international calls and unit prices for fixed-to-mobile calls are both expected to continue declining because of rising competition from VoIP and mobile services and the NCC's introduction of mobile termination rate cuts. Enterprise demand for high-speed internet access service has been rising, but fierce competition should result in moderate revenue growth.

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 frameworks 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 the first and only data center in Taiwan to have been awarded Uptime Tier III certifications for design, construction and operational sustainability.

(3) Customized integrated solutions: Based on enterprise clients' needs, TWM provides customized, one-stop-shopping integrated solutions.

(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, and cooperates with other leading telecom operators in the alliance to integrate more services and solutions.

4. Opportunities and challenges

Positive factors

(1) Thanks to its multiple 4G spectrums and cloud foundation, TWM should be able to ride on clients' need for mobility and cloud services to drive revenue growth.

(2) Enterprise clients' need for bigger fixed-line and wireless bandwidth to transport more data and develop more IoT applications should ensure steady demand and revenue growth.

(3) TWM has cultivated the enterprise market for years and knows the needs of enterprise clients. It has teamed up with enterprise clients to help them integrate their fixed-line, mobile, information system and cloud services.

(4) Aside from cooperating with existing business partners, TWM is forming alliances with new partners in different fields.

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

Enterprise clients nowadays are looking for telecom operators that can provide them not only telecom services, but also serve as a partner in developing mobile, IoT, cloud, AI and information security solutions. TWM will continue to promote and develop diversified enterprise services and applications to create more value and improve client loyalty.

Home Business Group

1. Main products and service areas

TWM Broadband's main service areas are New Taipei City's Sinjhuang and Sijhih districts, Yilan County and Kaohsiung's Fongshan District among others.

2. Market status

(1) Cable TV

Taiwan's CATV 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. However, with the NCC granting new licenses to new cable multiple-system operators (MSO), competition has intensified and affected market pricing.

(2) HD digital TV and broadband internet access

Thanks to rich HD content, stable and quality signals, expanding platforms for viewing TV programs and rapid development of online video services and social media, the high demand for HD digital TV and high-speed broadband Internet access should continue to increase.

3. Competitive advantages

(1) TWM Broadband offers high-speed broadband network transmission.

(2) Rich digital content and value-added services drive digital TV revenue growth.

(3) TWM Broadband can leverage off the group's rich resources to offer innovative digital convergence products and services.

4. Opportunities and challenges

Positive factors

(1) The comprehensive digitalization of cable TV should help in the development of HD digital TV services.

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

(3) Demand for multi-screen viewing of video content has increased, demonstrating the growing importance of digital convergence for families.

Negative factors

(1) At its 840th meeting on Jan. 23, 2019, the NCC approved proposed changes to Chunghwa Telecom's operation of its multimedia content transmission platform, allowing the company to form its own channel packages, as well as add or remove channels, for its MOD system. The changes place cable TV operators at a disadvantage as they must still obtain the NCC's approval to switch channels, while their pricing schemes have to be reviewed by city/county governments on an annual basis. This unequitable competition could have an impact on the cable TV industry's future.

(2) With the NCC allowing cable system operators (SO) to expand their service areas, new entrants might resort to cutthroat pricing to grab market share, increasing the risk of subscriber losses for TWM Broadband.

Countermeasures

(1) TWM Broadband is observing developments in Taiwan's digital content industry and global industry trends, focusing on providing a richer assortment of digital channels and connected TV content.

(2) TWM Broadband is working on rolling out the latest high-speed DOCSIS 3.1 cable internet technology and headend infrastructure to deliver speeds of 1Gbps to customers in the near future. Its OTT service is built as a multi-tenant platform to facilitate cooperation with other operators and expand its business scale.

Retail Business

1. Main products and service areas

momo mainly provides e-commerce and TV home shopping services in Taiwan, mainland China and Thailand.

2. Market status

TV home shopping growth is limited due to declining viewership. On the other hand, B2C e-commerce topline growth is accelerating, bolstered by share gains from offline and continued expansion in mobile and streaming platforms. TWM expects competition to ease in 2019 as its peers are eager to see a turnaround.

3. Competitive advantages

(1) Scale benefit: momo is the largest B2C e-commerce operator in Taiwan. Thanks to its strengthened market position, its bargaining power has increased, and more and more first-tier brands are doing direct business with momo, broadening its offerings of high-quality products.

(2) Solid reputation: momo has built a solid reputation with suppliers and customers in the TV home shopping industry. Besides winning customers' confidence, momo has enhanced suppliers' willingness to entrust their brands to the Company, boosting its diverse range of products.

(3) Strong support from the group: momo is able to leverage the resources of affiliates – including TWM's mobile, fixed-line and CATV businesses – to create opportunities in digital convergence, mobile platforms and mobile payment mechanisms.

4. Opportunities and challenges

<u>Positive factors</u>

(1) Mobile usage time and mobile shopping continue to increase.

(2) E-commerce should continue to benefit from 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.

<u>Negative factors</u>

(1) High product homogeneity and intensifying market competition have led to margin pressure.

(2) Risk management of product quality and food safety are increasingly important as momo's scale continues to increase.

<u>Countermeasures</u>

(1) momo has an extensive system of suppliers and a professional product development team. This facilitated its expansion into mobile and streaming platforms, as it already has a trove of best-selling products to tap into, which not only prolonged their product life cycle, but also increased sales volumes and differentiated it from the competition.

(2) momo has an online shopping mobile app to tap into the mobile commerce market and optimize customer experience. By promoting limited time and live-stream promotions, momo is able to reach more consumers and stimulate buying willingness. The mobile platform also offers convenience, encouraging consumers to increase their shopping frequency.

(3) momo has a quality control team that visits factories to ensure that suppliers meet manufacturing safety standards. It also outsources product testing and examinations to ensure that raw materials, ingredients as well as labels comply with food safety standards.

(4) 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 wireless/fixed-line telecom services, digital TV subscription, cable broadband, e-commerce/TV home 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

1. Major suppliers

Unit: NT$'000

	2017				2018			
	Company	Procurement amount	% of consolidated procurement	Nature of relationship	Company	Procurement amount	% of consolidated procurement	Nature of relationship
1	Company A	9,686,463	16	Third party	Company A	7,094,670	11	Third party
	Others	50,661,116	84		Others	55,601,722	89	
	Total	60,347,579	100		Total	62,696,392	100	

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

3. Reasons for variation

Procurements from suppliers varied as the Company purchased handsets 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		2017		2018	
		Sales volume	Revenue (NT$'000)	Sales volume	Revenue (NT$'000)
Mobile	Mobile services ('000 subs at year-end)	7,227	52,069,597	7,266	47,890,846
Domestic fixed telephony	Local calls ('000 minutes) [1]	293,180	501,421	262,751	469,171
	Long distance calls ('000 minutes) [1]	107,565	80,317	96,074	74,391
International fixed telephony	International calls ('000 minutes)[1]	196,779	1,827,835	126,916	1,357,753
Fixed-line data transmission ('000 lines)		202	2,298,919	190	2,441,281
Sales revenue[2]		NA	52,221,069	NA	58,023,078
Others		NA	8,171,949	NA	8,475,808
Total			117,171,107		118,732,328

1: Outgoing minutes only.
2: Including retail sales of handsets, accessories, IT products and 3C home appliances, etc.

Human Resources

Employee statistics in the past two years up to publication date

Year		2017	2018	2019 (as of February 25)
Number of employees	Consolidated	7,836	7,932	7,953
	Stand-alone	3,949	3,827	3,838
Education level	Ph.D.	0.18%	0.20%	0.21%
	Master's	14.14%	13.99%	13.86%
	University	61.54%	58.45%	58.70%
	College	17.71%	16.52%	16.43%
	Others	6.43%	10.84%	10.80%
Average age		36.67	37.19	37.30
Average years of service		7.25	7.60	7.69

Environmental Protection Expenditure

Loss or penalty due to environmental pollution in 2018 up to publication date in 2019: None

Countermeasures:

TWM has taken into consideration any potential risks or breach of environmental regulations in formulating its environmental management system. The Company also closely monitors developments in the government's environmental policies or regulations to be able to design precautionary measures. It 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 water and 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 employees. Its 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 Company's core competency.

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 employees' 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 regulations 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 share 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. The committees are 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 up to January 31, 2019 totaled NT$21,663,272, with 458,272 employees taking a total of 358,498.6 training hours.
2. Orientation for new employees includes company profile, culture, brand, company organization, telecommunications market, innovative services, internal network systems, employee safety and health, IT security training, and avenues for learning.
3. Core competency development: Develop basic competencies, such as self-management and work management, problem analysis and solution skills, creative thinking, communication and interaction skills, project management, and knowledge of industry trends, basic telecommunications laws and code of ethics; hold service training programs; organize book clubs; and invite celebrity speakers.
4. Management training and development: Separate training programs for entry-level management, middle management and senior management. Training courses include performance management, leadership, strategy management, innovative thinking, team dynamics and organizational development skills, as well as corporate governance seminars.
5. The Company arranges for employees to participate in different programs according to their professional knowledge and skills, including information technology, auditing, human resources, marketing, procurement, safety, finances, accounting and telecommunications technology. 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 in accordance with the law.
2. The Company has a Labor Pension Supervisory Committee, which was evaluated and 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

The Company endeavors to contain potential hazards in the workplace, as well as build and promote a safety culture, by observing the following:

1. Regulatory compliance: Follow all rules and regulations pertaining to occupational safety and health and conduct periodic reviews of compliance.
2. Risk control: Implement measures to identify safety risks at work to minimize hazards and prevent injuries or diseases.
3. Consultation and communication: Enhance employee knowledge of the importance of health and safety and encourage them to participate in and take responsibility for their personal health and safety.
4. Healthcare: Organize health-oriented activities and promote care for employees' physical and mental health.
5. Performance evaluation: Conduct systematic evaluations of these measures to gauge their effectiveness and improve health and safety standards.

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

1. Occupational Safety and Health Management System (OHSAS 18001:2007) certification: Its aim is to constantly improve health and safety management in order to reduce risks in the workplace.
2. A unit dedicated to conducting environmental inspections and carrying out employee sanitary training courses was established in accordance with regulations.
3. An Occupational Safety and Health 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.
4. 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. Employees who are able to administer first aid treatment have been placed in each work area.
5. Each office site is equipped with an automated external defibrillator and staffed with a sufficient number of first-aid personnel.
6. Fire/flood protection exercises are held periodically to reduce risks of employee injury and property loss from natural disasters.
7. Guards and security systems have been installed at all main base stations and work offices to protect staff, property and information security.

Employee negotiations and protection of employee benefits

The Company, working under the management and employees 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/employee meetings to facilitate communication, develop comprehensive communication channels between management and employees, and promoted employee benefits to build a harmonious and satisfactory management/employee relationship.

Losses caused by employee disputes in 2018 and up to publication date in 2019: The Company maintains a harmonious management/employee relationship and there were no material disputes.

Number of disabilities due to on-the-job injuries/fatalities in 2018 and up to publication date in 2019

Year	2018	2019 (as of February 25)
Number of disabilities	0	0
Disabling Frequency Rate[1] (FR)	0	0
Disabling Severity Rate[2] (SR)	0	0

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
Long-term credit facility	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Taipei Branch	2016.02.26~2019.02.26	Long-term loan of NT$2 billion	Non-disclosure
		2018.07.30~2021.07.30	Long-term loan of NT$2 billion	Non-disclosure
	Sumitomo Mitsui Banking Corp., Taipei Branch	2018.01.31~2020.01.31	Long-term loan of NT$7 billion	Non-disclosure
	Mizuho Bank, Ltd., Taipei Branch	2018.04.14~2020.04.14	Long-term loan of NT$4 billion	Non-disclosure
Strategic Alliance	Bridge Alliance	2004.11.03~present	Join Bridge Alliance	Non-disclosure
Procurement	Apple Asia LLC	2016.06.01~2019.05.31	Procurement agreement for iPhone	Non-disclosure
		2017.11.01~2020.10.31	Procurement agreement for iPad	
	Samsung Electronics Taiwan Co., Ltd.	2018.11.01~2019.10.31	Sales and supply agreement	Non-disclosure
	ASUS Technology Inc.	2017.05.01~present	Distribution agreement	Non-disclosure
	Nokia Solutions and Networks Taiwan Co., Ltd.	2019.01.01~2019.12.31	4G equipment supply contract for 2019 set at under NT$4.682 billion	Non-disclosure
momo				
Equipment purchase	Daifuku Co., Ltd.	2015.12.29~2018.12.29	Equipment procurement for momo’s logistics center	Non-disclosure

Chapter 5 Financial Highlights

Condensed Balance Sheets and Statements of Comprehensive Income

Consolidated condensed balance sheet (2014-2018)

Unit: NT$'000

		2014	2015	2016	2017	2018
Current assets		32,834,704	34,174,935	34,280,112	32,351,117	29,068,887
Investments		5,070,051	4,958,924	5,412,671	6,049,714	6,199,506
Property, plant and equipment (PP&E)		47,066,319	47,247,121	42,415,229	41,603,421	38,855,960
Intangible assets		61,168,844	62,402,424	59,677,982	65,372,820	62,175,645
Other assets		7,399,775	7,302,269	9,591,411	9,145,682	11,367,030
Total assets		153,539,693	156,085,673	151,377,405	154,522,754	147,667,028
Current liabilities	Before appropriation	53,468,928	59,232,218	38,144,597	56,479,086	41,883,503
	After appropriation	68,712,583	74,475,873	53,388,252	71,722,741	(Note1)
Non-current liabilities		33,570,433	31,561,731	47,046,273	32,532,067	37,789,829
Total liabilities	Before appropriation	87,039,361	90,793,949	85,190,870	89,011,153	79,673,332
	After appropriation	102,283,016	106,037,604	100,434,525	104,254,808	(Note1)
Equity attributable to owners of the parent company		60,247,435	59,555,705	60,416,890	59,631,863	61,881,520
Paid-in capital		34,208,328	34,208,328	34,208,328	34,208,328	34,238,338
Capital surplus	Before appropriation	14,715,830	14,586,376	14,985,047	13,939,278	12,580,692
	After appropriation	14,715,830	14,586,376	13,917,991	12,306,029	(Note1)
Retained earnings	Before appropriation	41,343,607	41,652,299	41,630,893	41,564,304	44,875,215
	After appropriation	26,099,952	26,408,644	27,454,294	27,953,898	(Note1)
Other equity interests		(302,986)	(1,173,954)	(690,034)	(362,703)	(95,381)
Treasury stock		(29,717,344)	(29,717,344)	(29,717,344)	(29,717,344)	(29,717,344)
Non-controlling interest		6,252,897	5,736,019	5,769,645	5,879,738	6,112,176
Total equity	Before appropriation	66,500,332	65,291,724	66,186,535	65,511,601	67,993,696
	After appropriation	51,256,677	50,048,069	50,942,880	50,267,946	(Note1)

Note 1: The appropriation amount for 2018 still has to be approved at the AGM.
Note 2: All financial data have been duly audited by independent auditors.

Stand-alone condensed balance sheet (2014-2018)

Unit: NT$'000

		2014	2015	2016	2017	2018
Current assets		15,251,167	19,357,631	22,561,728	21,583,398	17,738,839
Investments		49,867,554	44,904,267	42,250,372	43,077,320	43,791,521
Property, plant and equipment (PP&E)		32,294,190	32,709,888	27,081,627	24,193,665	22,249,874
Intangible assets		39,117,370	40,441,171	38,039,908	44,004,623	41,053,072
Other assets		4,080,997	5,470,595	8,715,470	8,110,376	10,229,894
Total assets		140,611,278	142,883,552	138,649,105	140,969,382	135,063,200
Current liabilities	Before appropriation	53,250,046	58,318,339	37,044,613	54,419,482	40,842,446
	After appropriation	68,493,701	73,561,994	52,288,268	69,663,137	(Note1)
Non-current liabilities		27,113,797	25,009,508	41,187,602	26,918,037	32,339,234
Total liabilities	Before appropriation	80,363,843	83,327,847	78,232,215	81,337,519	73,181,680
	After appropriation	95,607,498	98,571,502	93,475,870	96,581,174	(Note1)
Paid-in capital		34,208,328	34,208,328	34,208,328	34,208,328	34,238,338
Capital surplus	Before appropriation	14,715,830	14,586,376	14,985,047	13,939,278	12,580,692
	After appropriation	14,715,830	14,586,376	13,917,991	12,306,029	(Note1)
Retained earnings	Before appropriation	41,343,607	41,652,299	41,630,893	41,564,304	44,875,215
	After appropriation	26,099,952	26,408,644	27,454,294	27,953,898	(Note1)
Other equity interests		(302,986)	(1,173,954)	(690,034)	(362,703)	(95,381)
Treasury stock		(29,717,344)	(29,717,344)	(29,717,344)	(29,717,344)	(29,717,344)
Total equity	Before appropriation	60,247,435	59,555,705	60,416,890	59,631,863	61,881,520
	After appropriation	45,003,780	44,312,050	45,173,235	44,388,208	(Note1)

Note 1: The appropriation amount for 2018 still has to be approved at the AGM.
Note 2: All financial data have been duly audited by independent auditors.

Consolidated statements of comprehensive income (2014-2018)

Unit: NT$'000

	2014	2015	2016	2017	2018
Operating revenue	112,623,879	116,144,205	116,647,498	117,171,107	118,732,328
Gross profit	37,526,337	36,359,070	37,856,980	35,725,991	34,416,594
Operating income	19,711,810	18,769,149	20,019,766	19,092,412	18,162,042
Non-operating income (expenses)	(845,638)	(603,199)	(828,294)	(1,461,129)	(472,825)
Pre-tax income	18,866,172	18,165,950	19,191,472	17,631,283	17,689,217
Income from continuing operations	15,632,343	16,168,029	15,928,443	14,948,787	14,485,768
Loss from discontinued operations, net of tax	78,329	-	-	-	-
Net income	15,554,014	16,168,029	15,928,443	14,948,787	14,485,768
Other comprehensive income (after tax)	(720,968)	(1,091,109)	351,303	215,294	98,554
Comprehensive income	14,833,046	15,076,920	16,279,746	15,164,081	14,584,322
Profit attributable to owners of the parent company	15,006,337	15,686,186	15,320,187	14,192,176	13,642,172
Profit attributable to non-controlling interest	547,677	481,843	608,256	756,611	843,596
Comprehensive income attributable to owners of parent company	14,272,725	14,681,379	15,706,230	14,437,341	13,768,068
Comprehensive income attributable to non-controlling interest	560,321	395,541	573,516	726,740	816,254
EPS (NT$)	5.56	5.76	5.63	5.21	5.01

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

Stand-alone statements of comprehensive income (2014-2018)

Unit: NT$'000

	2014	2015	2016	2017	2018
Operating revenue	81,649,070	83,710,453	80,543,403	73,612,276	65,545,627
Net gross profit	28,814,569	31,521,743	29,927,702	25,138,921	22,528,422
Operating income	5,712,718	12,397,268	15,401,232	12,094,034	10,465,707
Non-operating income (expenses)	10,029,032	4,366,737	2,369,009	3,672,554	5,071,356
Pre-tax income	15,741,750	16,764,005	17,770,241	15,766,588	15,537,063
Net income	15,006,337	15,686,186	15,320,187	14,192,176	13,642,172
Other comprehensive income (after tax)	(733,612)	(1,004,807)	386,043	245,165	125,896
Comprehensive income	14,272,725	14,681,379	15,706,230	14,437,341	13,768,068
EPS (NT$)	5.56	5.76	5.63	5.21	5.01

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
2014	KPMG	Simon Chen, Leo Chi	Unqualified opinion
2015	Deloitte & Touche	Li-Wen Kuo, Kwan-Chung Lai	Modified unqualified opinion
2016	Deloitte & Touche	Li-Wen Kuo, Kwan-Chung Lai	Unqualified opinion
2017	Deloitte & Touche	Li-Wen Kuo, Kwan-Chung Lai	Unqualified opinion
2018	Deloitte & Touche	Li-Wen Kuo, Kwan-Chung Lai	Unqualified opinion

Financial Analysis

Current ratio, quick ratio and cash flow ratio all increased in 2018 compared with 2017 due to the repayment of debts.

Consolidated financial analysis (2014-2018)

		2014	2015	2016	2017	2018
Financial structure	Liabilities to assets ratio (%)	56.69	58.17	56.28	57.60	53.95
	Long-term fund to PP&E ratio (%)	199.33	192.85	253.36	221.53	256.51
Solvency	Current ratio (%)	61.41	57.70	89.87	57.28	69.40
	Quick ratio (%)	54.49	49.88	77.88	48.71	58.59
	Interest coverage ratio (%)	3,219.10	2,585.36	2,949.77	2,883.04	3,039.18
Operations	Accounts receivable turnover[1] (x)	5.66	5.57	5.55	5.85	14.08
	Average collection days[1]	64.48	65.52	65.76	62.39	25.92
	Inventory turnover (x)	12.19	12.46	11.08	11.58	12.70
	Accounts payable turnover (x)	10.03	11.11	11.45	10.57	11.20
	Average days sales	29.94	29.29	32.94	31.51	28.74
	Property, plant and equipment turnover (x)	2.51	2.46	2.60	2.79	2.95
	Total asset turnover (x)	0.77	0.75	0.76	0.77	0.77
Profitability	Return on assets (%)	11.00	10.84	10.72	10.12	9.77
	Return on equity attributable to owners of the parent company (%)	25.51	26.19	25.54	23.64	21.84
	Pre-tax income as a % of paid-in capital	54.87	53.10	56.10	51.54	51.66
	Net income margin (%)	13.79	13.92	13.66	12.76	12.20
	EPS (NT$)	5.56	5.76	5.63	5.21	5.01
Cash flow	Cash flow ratio (%)	53.00	43.57	83.45	53.68	71.09
	Cash flow adequacy ratio (%)	106.30	99.96	99.82	100.84	107.37
	Cash reinvestment rate (%)	7.50	5.43	8.79	7.79	7.45
Leverage	Operating leverage	2.66	2.84	2.74	2.79	2.88
	Financial leverage	1.03	1.04	1.03	1.03	1.03

Note 1: In accordance with IFRS 15 “Revenue from Contracts with Customers”, account receivables of bundle sales are recognized as contract assets since 2018. It would cause significant changes of relative ratios in 2018 compared with the previous year.

Stand-alone financial analysis (2014-2018)

		2014	2015	2016	2017	2018
Financial structure	Liabilities to assets ratio (%)	57.15	58.32	56.42	57.70	54.18
	Long-term fund to PP&E ratio (%)	270.52	258.53	375.18	357.74	423.47
Solvency	Current ratio (%)	28.64	33.19	60.90	39.66	43.43
	Quick ratio (%)	24.32	25.78	50.07	33.15	37.24
	Interest coverage ratio (%)	2,726.79	2,426.13	2,887.46	2,716.04	2,700.99
Operations	Accounts receivable turnover[1] (x)	5.38	5.58	4.56	3.97	9.33
	Average collection days[1]	67.84	65.41	80.04	91.93	39.12
	Inventory turnover (x)	11.42	8.34	6.07	6.19	6.23
	Accounts payable turnover (x)	12.34	13.52	14.38	13.32	17.67
	Average days sales	31.96	43.76	60.13	58.96	58.58
	Property, plant and equipment turnover (x)	2.67	2.58	2.69	2.87	2.82
	Total asset turnover (x)	0.59	0.59	0.57	0.53	0.47
Profitability	Return on assets (%)	11.28	11.49	11.26	10.51	10.08
	Return on equity (%)	25.51	26.19	25.54	23.64	21.84
	Pre-tax income as a % of paid-in capital	46.02	49.01	51.95	46.09	45.38
	Net profit margin (%)	18.38	18.74	19.02	19.28	20.81
	EPS (NT$)	5.56	5.76	5.63	5.21	5.01
Cash flow	Cash flow ratio (%)	32.37	28.39	60.67	38.65	48.50
	Cash flow adequacy ratio (%)	89.23	77.55	74.13	76.51	83.91
	Cash reinvestment rate (%)	1.25	0.75	4.26	3.45	2.68
Leverage	Operating leverage	5.89	3.28	2.93	3.38	3.69
	Financial leverage	1.12	1.06	1.04	1.05	1.06

Explanation of significant changes in 2018 compared with the previous year:

1. Accounts payable turnover increased in 2018 compared with 2017 due to lower inventory at year-end.
2. Cash flow ratio increased in 2018 compared with 2017 due to the repayment of debts.
3. The cash reinvestment rate decreased in 2018 compared with 2017 due to lower operating cash inflows in 2018.

Note 1: In accordance with IFRS 15 “Revenue from Contracts with Customers”, account receivables of bundle sales are recognized as contract assets since 2018, causing significant changes of relative ratios in 2018 compared with the previous year.

Note 1: The financial data for 2014-2018 have been duly audited by independent auditors.

Note 2: 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 dividends) / 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 expenditure + Increases in inventory + Cash dividends for the past 5 years)
(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)

Taiwan Mobile Co., Ltd.

Audit Committee Report

January 31, 2019

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2018 business report and 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 business report and 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, we hereby submit this report.

Taiwan Mobile Co., Ltd.

Hsueh-Jen Sung

Chairman of the Audit Committee

2018 Consolidated Financial Statements:

Refer to the attachment.

2018 Stand-alone Financial Statements:

Refer to the attachment.

Financial Difficulties for the Company and its Affiliates:

None

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

Balance Sheet Analysis

Consolidated balance sheet analysis

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

1. Other assets increased mainly due to the recognition of incremental costs of obtaining a contract after adopting IFRS 15 "Revenue from Contracts with Customers".

2. Current liabilities decreased mainly due to the repayment of debts.

2017 - 2018 Consolidated Balance Sheet

Unit: NT$'000, %

	2017	2018	YoY change	
			Amount	%
Current assets	32,351,117	29,068,887	(3,282,230)	(10.15)
Investments	6,049,714	6,199,506	149,792	2.48
Property, plant and equipment	41,603,421	38,855,960	(2,747,461)	(6.60)
Intangible assets	65,372,820	62,175,645	(3,197,175)	(4.89)
Other assets	9,145,682	11,367,030	2,221,348	24.29
Total assets	154,522,754	147,667,028	(6,855,726)	(4.44)
Current liabilities	56,479,086	41,883,503	(14,595,583)	(25.84)
Non-current liabilities	32,532,067	37,789,829	5,257,762	16.16
Total liabilities	89,011,153	79,673,332	(9,337,821)	(10.49)
Paid-in capital	34,208,328	34,238,338	30,010	0.09
Capital surplus	13,939,278	12,580,692	(1,358,586)	(9.75)
Retained earnings	41,564,304	44,875,215	3,310,911	7.97
Other equity and treasury stock	(30,080,047)	(29,812,725)	267,322	(0.89)
Non-controlling interests	5,879,738	6,112,176	232,438	3.95
Total equity	65,511,601	67,993,696	2,482,095	3.79

Stand-alone balance sheet analysis

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

1. Other assets increased mainly due to the recognition of incremental costs of obtaining a contract after adopting IFRS 15 "Revenue from Contracts with Customers".
2. Current liabilities decreased mainly due to the repayment of debts.
3. Non-current liabilities increased mainly due to the issuance of new corporate bonds in 2018 to pay down debt.

2017- 2018 Stand-alone Balance Sheet

Unit: NT$'000, %

	2017	2018	YoY change	
			Amount	%
Current assets	21,583,398	17,738,839	(3,844,559)	(17.81)
Investments	43,077,320	43,791,521	714,201	1.66
Property, plant and equipment	24,193,665	22,249,874	(1,943,791)	(8.03)
Intangible assets	44,004,623	41,053,072	(2,951,551)	(6.71)
Other assets	8,110,376	10,229,894	2,119,518	26.13
Total assets	140,969,382	135,063,200	(5,906,182)	(4.19)
Current liabilities	54,419,482	40,842,446	(13,577,036)	(24.95)
Non-current liabilities	26,918,037	32,339,234	5,421,197	20.14
Total liabilities	81,337,519	73,181,680	(8,155,839)	(10.03)
Paid-in capital	34,208,328	34,238,338	30,010	0.09
Capital surplus	13,939,278	12,580,692	(1,358,586)	(9.75)
Retained earnings	41,564,304	44,875,215	3,310,911	7.97
Other equity and treasury stock	(30,080,047)	(29,812,725)	267,322	(0.89)
Total equity	59,631,863	61,881,520	2,249,657	3.77

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

Explanation of significant changes in the past two years' operating revenue, operating income and income before tax:

Non-operating expenses decreased in 2018 mainly due to the recognition of an estimated litigation provision in 2017.

2017 – 2018 Consolidated Statements of Comprehensive Income

Unit: NT$'000, %

	2017	2018	YoY change	
			Amount	%
Operating revenue	117,171,107	118,732,328	1,561,221	1.33
Operating costs	81,445,116	84,315,734	2,870,618	3.52
Gross profit	35,725,991	34,416,594	(1,309,397)	(3.67)
Operating expenses	17,502,915	16,885,497	(617,418)	(3.53)
Operating income	19,092,412	18,162,042	(930,370)	(4.87)
Non-operating income (expenses)	(1,461,129)	(472,825)	988,304	(67.64)
Income before tax	17,631,283	17,689,217	57,934	0.33
Net income	14,948,787	14,485,768	(463,019)	(3.10)

Stand-alone statements of comprehensive income

Explanation of significant changes in the past two years' operating revenue, operating income and income before tax:

Non-operating expenses decreased in 2018 mainly due to the recognition of an estimated litigation provision in 2017.

2017 – 2018 Stand-alone Statements of Comprehensive Income

Unit: NT$'000, %

	2017	2018	YoY change	
			Amount	%
Operating revenue	73,612,276	65,545,627	(8,066,649)	(10.96)
Operating costs	48,473,355	43,017,205	(5,456,150)	(11.26)
Gross profit	25,138,921	22,528,422	(2,610,499)	(10.38)
Operating expenses	13,886,610	12,699,653	(1,186,957)	(8.55)
Operating income	12,094,034	10,465,707	(1,628,327)	(13.46)
Non-operating income (expenses)	3,672,554	5,071,356	1,398,802	38.09
Income before tax	15,766,588	15,537,063	(229,525)	(1.46)
Net income	14,192,176	13,642,172	(550,004)	(3.88)

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

Given the longer life cycle of mobile phones, increasing demand for SIM-only subscriptions, and the rising popularity of wearable devices and video/audio service content, the Company will focus on developing top-of-the-line value-added services, including mobile shopping, mobile payment, video/audio services and myBook store (an e-book platform) to increase revenue and ARPU. By leveraging Fubon Group resources, the Company will provide diversified mobile bundle services to acquire new customers and develop new roaming products. Furthermore, the Company aims to lower its churn rate by employing big data analysis and reduce subsidies and commissions to enhance profitability.

Cash Flow Analysis

Consolidated cash flow analysis

1. Decrease in cash outflow from investment activities: Cash outflow declined mainly due to the payment of 4G concession fees in 2017.
2. Increase in cash outflow from financing activities: Cash outflow rose mainly due to the repayment of debts.

2017 – 2018 Consolidated Cash Flow Statement

Unit: NT$'000, %

	2017	2018	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	30,320,285	29,775,655	(544,630)	(1.80)
Cash inflow (outflow) from investment activities	(17,672,308)	(5,526,329)	12,145,979	(68.73)
Cash inflow (outflow) from financing activities	(13,717,494)	(23,380,419)	(9,662,925)	70.44
Impact from changes in exchange rate	(3,456)	(1,741)	1,715	(49.62)
Net cash increase (decrease)	(1,072,973)	867,166	1,940,139	NM

Stand-alone cash flow analysis:

1. Increase in cash inflow from investment activities: Cash inflow increased mainly due to the payment of 4G concession fees in 2017.
2. Increase in cash outflow from financing activities: Cash outflow rose mainly due to the repayment of debts.

2017 – 2018 Stand-alone Cash Flow Statement

Unit: NT$'000, %

	2017	2018	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	21,031,267	19,806,632	(1,224,635)	(5.82)
Cash inflow (outflow) from investment activities	(9,316,367)	1,992,191	11,308,558	NM
Cash inflow (outflow) from financing activities	(12,252,034)	(21,327,009)	(9,074,975)	74.07
Net cash increase (decrease)	(537,134)	471,814	1,008,948	NM

Plans to improve negative liquidity: Not applicable

Projected consolidated cash flow for 2019

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

2019 Consolidated Projected Cash Flow

Unit: NT$'000

Cash balance, beginning of the year (1)	Forecast net cash inflow from operations (2)	Forecast cash outflow from investment and financing activities (3)	Cash balance, end of the year (1) + (2) - (3)	Source of funding for negative cash balance	
				Cash inflow from investment activities	Cash inflow from financing activities
7,498,710	29,823,196	29,804,789	7,517,117	—	—

Source of Funding for Negative Cash Flow in 2019: Not applicable

Analysis of Major Capex and its Impact on Finance and Operations

With operating cash inflows, the Company funds its major capex with internally generated cash flows.

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

Taiwan Mobile focuses on making long-term and strategic investments. To become a leader in digital convergence, the Company has positioned itself as an "Internet Technology Company," with diverse investments in the telecom, internet, media & entertainment, and e-commerce industries.

In 2018, on a consolidated basis, TWM’s investment income from long-term investments under the equity method amounted to NT$27,128 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 2018 short-term bank borrowings, as interest rates remained low and stable. The Company has straight bond issuances and mid-term loan facilities with 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 payments 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 an insignificant impact on the Company.

3. **Impact of inflation**

   Inflation had a minor impact on the Company’s operating performance in 2018 up to the publication date in 2019.

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 Endorsement/Guarantees to supervise its financing and endorsement activities. As the counterparties in its loans and guarantees are all its subsidiaries, there is minimal operating risk.
3. Derivatives transaction: None.

Expected benefits and risks from mergers in 2018 up to publication date in 2019:

None.

Future research and development plans

Project name	Objective
Personalized video recommendation services	Use AI deep learning algorithms to provide personalized video recommendations.
TAMedia - Mobile advertisement platform	Enrich video advertisement and develop new type of advertisements. Incorporate more third parties' data to improve advertising effectiveness.
myBook	Add web-based interface to improve user experience, expand sales channels to increase revenue and improve recommendation mechanism.
MyMusic	Integrate music service with smart speakers and form partnerships with various companies to develop new business models.

Expected research and development expenses

In 2019, the projected research and development expense amounted to NT$605,843,000.

Regulatory changes and developments

1. Revision of digital convergence laws and regulations

(1) Status

The draft Digital Communications Act was reviewed by the legislature's Transportation Committee on May 24, 2018, and is awaiting cross-party negotiations. The draft Telecommunications Management Act is also under review by the Committee, and is expected to be passed in the first half of 2019. The proposed Telecommunications Management Act is expected to give operators more flexibility and efficiency in network and spectrum usage.

(2) Countermeasures

The Company is closely monitoring the progress of the two bills and continues to communicate with the Legislative Yuan on related policies and regulations to ensure a favorable regulatory environment for the industry's development.

2. NCC proposes bill to prevent media monopolies and promote diversity

(1) Status

On January 16, 2019, the NCC proposed a bill to promote media diversity and prevent monopolies, including setting the standards for media integration and a media-financial industry separation clause (which will only apply to media integration cases that take effect after the implementation of the Act). The bill is to be submitted to the Executive Yuan for approval.

(2) Countermeasures

The Company is closely monitoring the progress of the proposed bill and continues to communicate with and forward suggestions and recommendations on related policies and regulations to the Executive Yuan and the Legislative Yuan to prevent overregulation that could hinder the industry's development.

3. 3G licenses terminated on December 31, 2018

(1) Status

The NCC terminated 3G licenses on December 31, 2018.

(2) Countermeasures

The Company has transferred the original 3G network to a 4G heterogeneous network and offers preferential programs to encourage 3G users to migrate to 4G services.

4. NCC proposed changes to charge standard of utilization fee of radio frequency on January 11, 2019

(1) Status

In response to the anticipated demand for larger 5G bandwidth, better reflect the value of high and low frequency band, and encourage mobile operators to continue building in rural areas and along important transportation infrastructure, the NCC has proposed adjusting the calculation standards of mobile communication frequency charges including the rural area coverage factor, utilization fee per MHz and frequency band adjustment factor.

(2) Countermeasures

The Company supports the proposed changes in frequency charges and plans to set up high-speed transmission stations in rural areas to create a “win-win” situation that advances rural users’ digital rights, while the Company benefits from lower spectrum usage fees.

5. Reduction of mobile-to-fixed termination rates

(1) Status

The NCC implemented a four-year scheme to lower the mobile-to-fixed termination rate, which reduced the rates for peak hours from NT$0.4851 to NT$0.4383 per minute, and off-peak hours from NT$0.2531 to NT$0.2148 per minute, effective January 1, 2019 to December 31, 2022.

(2) Countermeasures

The reduction of mobile-to-fixed termination rates should help the Company reduce network interconnection costs.

6. Reduction of wholesale IP peering charges

(1) Status

Using the average price in the Asia-Pacific region as a reference, the NCC approved Chunghwa Telecom’s new wholesale pricing scheme on April 3, 2018, which lowered the IP peering charge by 30% from NT$170 per Mbps to NT$119 per Mbps. This scheme took effect retroactively on April 1, 2018.

(2) Countermeasures

This reduction has lowered the Company’s IP peering cost, which is beneficial to the Company as it offers various digital economy services to satisfy clients’ needs.

7. NCC proposes “a la carte” pricing for basic channels

(1) Status

The NCC plans to require system operators to provide at least two sets of basic channel combinations with HD or ultra HD. The first group would include 13 must-carry channels, with the maximum fee set at NT$200. The second group would be based on the most popular combination of basic channels in the previous year, with the maximum fee set at NT$600. System operators would also be conditionally allowed to offer basic channel packages priced at more than NT$600. The NCC pre-announced the above-mentioned draft to the public on February 25, 2019 to collect opinions.

(2) Countermeasures

The implementation of “a la carte” pricing for basic channels is expected to have a significant impact on the cable TV industry. The Company is closely monitoring the progress of the policy and continues to communicate with the NCC in hopes of loosening the regulations to create a more favorable viewing environment for consumers and a regulatory environment for the industry’s development.

Technology changes and development

1. Mobile broadband access network

(1) Status

Major changes in 2018 included:

a) Increasing popularity of video streaming, AI and big data fueled continued growth of mobile data traffic.

b) Providing ubiquitous broadband services while utilizing energy-efficient equipment became an important trend toward social responsibility in the telecom industry.

c) To address the growing demand for connecting low-complexity, lower-power devices to the wide-area mobile network, mobile network operators continued to expand the coverage of NB-IoT networks.

d) After the release of 5G New Radio specifications, commercial deployment of 5G systems is expected to start taking off around 2020.

e) 3G licenses expired at the end of 2018, but services under a heterogeneous mobile broadband network continued.

(2) Countermeasures

TWM took advantage of the opportunities as follows:

a) Deployed more base stations to increase network capacity and small cells to offload traffic in hotspots.

b) Used LTE relay backhaul architecture in rural areas to expand the reach of its mobile broadband service and enabled LTE intelligent power saving function to reduce base stations' energy consumption during low traffic.

c) Provided NB-IoT network in 700MHz frequency band to support accessible and stable low-energy consumption IoT services.

d) Invested in 5G New Radio technology research and signed memorandums of understanding with Nokia and ITRI for cooperation on 5G development.

e) To improve LTE throughput and capacity, TWM re-farmed 5MHz of 2100 band spectrum used for UMTS to deliver LTE services in 2018.

TWM will continue to focus on providing mobile broadband services with the best speed, coverage and customer experience to maintain its competitive edge.

2. Network technology development

(1) Status

a) Internet Protocol Version 4 (IPv4) has been used for internet connectivity since the 1970s and has become the most widely used communication protocol today. But with mobile phones, PDAs, vehicles, appliances and other devices with internet connectivity continuing to consume IPv4 addresses, many network operators are facing the problem of IPv4 address exhaustion.

b) Internet of Things (IoT) provides applications, services, data and analytics through M2M services. Its flexibility, and extensibility should be greatly enhanced by virtualization. Network functions virtualization (NFV) is a standard IT virtualization technology that aims to decouple network functions from proprietary hardware, and allow heterogeneous IoT elements to be connected and managed in a more scalable and flexible manner. NFV has become an important trend in the future 5G network architecture.

c) Traditional network infrastructure equipment merely provided information exchange and computing functions. However, in response to the trends toward massive data processing and decentralized management of applications, computing network architecture started to adopt virtualization technology, allowing networks to provide more dynamic and scalable services with shared hardware and software resources.

(2) Countermeasures

a) At the end of 2018, TWM deployed IPv6 to support an enormous number of applications and services, such as smart meters, vehicle positioning systems and home security. TWM is striving to provide a better customer experience and be ready for the future 5G network.

b) As the first operator to support NFV network equipment for enterprises in Taiwan, TWM deployed an NB-IoT network with virtualization architecture in 2018. The virtualized core network supports a large number of IoT applications with low power consumption and transmission capacity. The services include smart street lights, smart meters and medical applications. In the future, more cloud technology will be incorporated to improve the flexibility of network deployment.

c) To achieve flexible services and agile service development, TWM plans to use network automation as the foundation for a more orchestrated approach to deploying and managing its entire service portfolio.

3. IDC and cloud related services

(1) Status

Based on an Uptime Institute Research report on data center trends in 2019, the accelerating demands of big cloud operators for more data center capacity are straining the ecosystem. Security vulnerabilities also drove more stringent requirements on data centers. Organizations will need to adopt more policies regarding data center equipment, services, contractors, suppliers and staff. Climate change also forced a fresh review of resiliency planning. Economics will eventually drive a wider acceptance of AI applications. A Gartner report projects that the worldwide public cloud services market would grow 17.3% in 2019. Gartner expects more organizations to adopt and purchase public cloud services.

(2) Countermeasures

To satisfy the demand for tightened data center security, TWM's infrastructure as a service (IaaS) received ISO 27018 certification for personal information security. TWM also developed a resiliency plan to address the threat of climate change. Its cloud data center received not only ISO 14001 certification for environmental management, but also the Green Grid PUE silver certification for achieving a power usage effectiveness (PUE) of 1.5. TWM's strategy is to cooperate with world-class public cloud vendors and deliver a complete portfolio of public cloud services to enterprises. TWM is also developing AI solutions, continues to enhance its information security, service quality and cloud services, and complements them with a world-class cloud IDC infrastructure.

Impact of changes in brand image on the Company's risk management policies in 2018 up to publication date in 2019:

None. The Company has built up a sound reputation 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 2018 (please refer to Chapter 1) and should aid the Company in preventing, controlling and managing latent risks that it might face and help it maintain its good corporate image.

Expected benefits and risks from mergers in 2018 up to publication date in 2019:

None.

Expected benefits and risks related to plant facility expansions in 2018 up to publication date in 2019: Not applicable as the Company is not a manufacturer.

Risks from supplier and buyer concentration in 2018 up to publication date in 2019:

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

Significant changes in shareholdings of directors and major shareholders in 2018 up to publication date in 2019: None.

Changes in management controls in 2018 up to publication date in 2019: None.

Significant lawsuits and non-litigious matters in 2018 up to publication date in 2019

1. The Company:

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

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

Grounds for Lawsuit:

FET filed a lawsuit claiming that the Company should: (a) file an immediate application to return the spectrum block 1748.7-1754.9/ 1843.7-1849.9 MHz (hereinafter referred to as "C4 spectrum block") to the National Communications Commission ("NCC"); (b) be prohibited from using the C4 spectrum block in any way, (c) stop using the spectrum block 1715.1-1721.3/1810.1-1816.3 MHz (hereinafter referred to as "C1 spectrum block") until it has returned the C4 spectrum block to the NCC, and (d) pay FET NT$1,005,800,000.

Status:

In May 2016, the Taiwan Taipei District Court ("District Court") ruled that: (i) the Company received unfavorable judgment on the claims stated in sections (a) to (c); (ii) FET received unfavorable judgment on the claim stated in section (d); and (iii) FET may file a provisional execution with a collateral of NT$320,630,000 to the favorable portion of the judgment, and the Company may provide a counter security of NT$961,913,313 to be exempted from, or to move for revocation of FET's provisional execution. FET has provided the collateral to apply for the provisional execution. The Company has provided a counter security of NT$962,000,000 to be exempted from the provisional execution. The Company and FET filed appeals with the Taiwan High Court ("High Court").

The High Court on January 16, 2018 ruled as follows:

(1) The District Court judgment in connection with the following items was dismissed:

(i) "the Company shall apply to return the C4 spectrum block to the NCC immediately," "the Company shall not use the C4 spectrum block in any way," "the Company shall not use the C1 spectrum block before the C4 spectrum block has been returned to the NCC," and the corresponding portion that FET claimed provisional execution; and

(ii) the portion of judgment that "rejected the Company paying FET NT$1,005,800,000," the corresponding portion of provisional execution, and litigation expenses.

(2) For the dismissed portion stated in section 1(i), FET's claim and the motion of provisional execution in the first instance were rejected.

(3) For the dismissed portion stated in section 1(ii), the Company shall pay FET NT$765,779,233, as well as an annual interest of 5% for the period starting from September 5, 2015 to the payment date, on NT$152,583,658 of the above amount.

(4) The rest of FET's appeals were rejected.

(5) Regarding the portion of the ruling on the Company's payment, FET may file a provisional execution with a collateral of NT$255,260,000; and the Company may provide a counter security of NT$765,779,233 to be exempted from FET's provisional execution.
(6) The Company and FET shall each bear half of the litigation expenses.
(7) The rest of FET's motions of provisional execution and appeal were rejected.

The Company and FET have filed an appeal with the Supreme Court respectively.

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: None

Other major risks and countermeasures

In terms of information security and privacy protection, the telecommunications industry has a massive trove of personal privacy information. Any accidental leaks would be the legal responsibility of and would seriously damage the reputation of a company.

Countermeasures:
TWM in 2004 implemented the ISO 27001 "Information Security Management System (ISMS)" standard requirements, and subsequently passed the new version of BS 10012 and ISO/IEC 29100 Privacy Protection Framework Standard 2-in-1 certification. The Company integrated those requirements into its business processes and has continuously improved its security mechanisms, such as controlling personal data breaches, to allow customers to enjoy its services with peace of mind.

The Company has adopted the following to protect personal and confidential data:

1. Stopping external hackers: installing an intrusion prevention system, network segmentation, firewalls, web firewalls, etc.
2. Preventing internal leaks: adopting data leakage prevention/detection and loophole reduction measures
3. System planning and development: incorporating system development security specifications and executing code weakness scanning among others.
4. Operation and maintenance monitoring: establishing an information security monitoring center, checking and analyzing system records, and reporting and tracking if abnormal conditions are found.

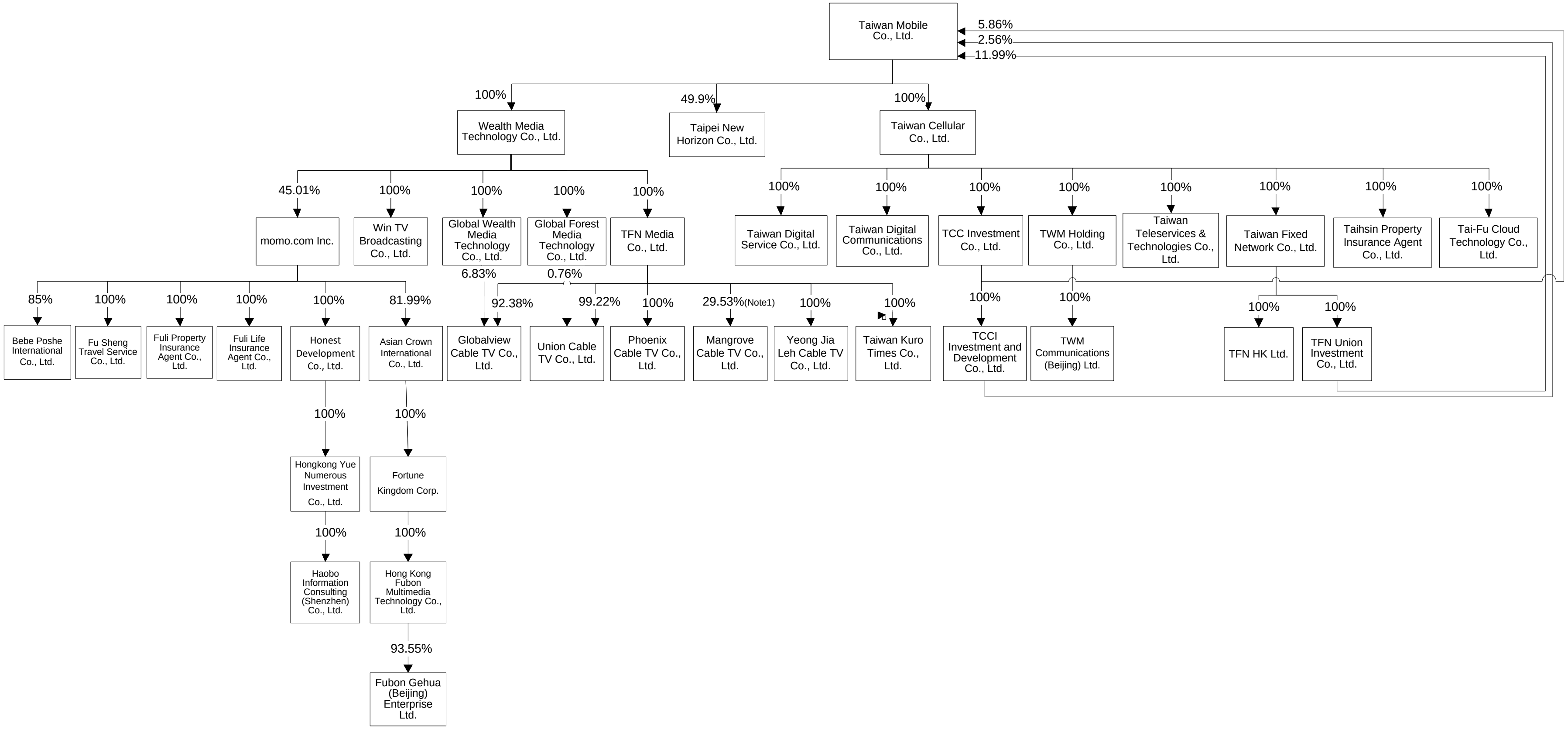
Other significant items: None

Chapter 7 Special Notes

Affiliates

1. Investment holding structure

As of December 31, 2018



Note 1: 70.47% of shares are held under trustee accounts.

2. Affiliates' profile

As of December 31, 2018; 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, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	5,029,703,090	Investment
Wealth Media Technology Co., Ltd.	2007.08.07	7F, No. 206, Dunhua S. Rd., Sec. 2, 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	4F, No. 111, Dunhua S. Rd., Sec. 1, Da-an District., Taipei	21,000,000,000	Fixed-line service provider
Taiwan Teleservices & Technologies Co., Ltd.	2001.06.08	7F, No. 206, Dunhua S. Rd., Sec. 2, 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, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	1,547,213,080	Investment
Taiwan Digital Communications Co., Ltd.	2007.06.06	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	112,000,000	TV program producer and mobile phone wholesaler
Taiwan Digital Service Co., Ltd.	2013.04.02	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	25,000,000	Service and repair
Taihsin Property Insurance Agent Co., Ltd.	2017.12.29	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	5,000,000	Property insurance agent
Tai-Fu Cloud Technology Co., Ltd.	2018.01.11	4F, No. 111, Dunhua S. Rd., Sec. 1, Da-an District., Taipei	5,000,000	Cable broadband and value-added services provider
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, Dunhua S. Rd., Sec. 2, 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	Television network
momo.com Inc.	2004.09.27	4F, No. 96, Zhouzi St., Neihu District, Taipei	1,400,585,000	Wholesale and retail sales
TFN Union Investment Co., Ltd.	2009.09.22	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	4,000,000	Investment
TFN HK Ltd.	2003.05.14	Unit 1405-1406, Dominion Centre, 43-59 Queen's Road East, Wanchai, Hong Kong	HK$ 1,300,000	Telecommunications service provider / 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, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	1,047,120,000	Investment
Taiwan Kuro Times Co., Ltd.	2009.02.11	12F, No. 88, Yanchang Rd., Xinyi District, Taipei	120,000,000	Digital music service

Name	Date of incorporation	Address	Paid-in capital	Main business
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$ 11,873,735	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
BEBE POSHE International Co., Ltd.	2010.01.07	4F, No. 92, Zhouzi St., Neihu District, Taipei	100,000,000	Wholesale of cosmetics
Fortune Kingdom Corp.	2009.01.06	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	US$ 11,594,429	Investment
Hongkong Yue Numerous Investment Co., Ltd.	2015.03.12	Unit 1904, 19/F, Podium Plaza, 5 Hanoi Road, Tsirn Sha Tsui, Kowloon, Hong Kong	HK$ 16,600,000	Investment
Hong Kong Fubon Multimedia Technology Co., Ltd.	2010.03.18	Unit 1904, 19/F., Podium Plaza, 5 Hanoi Road, Tsirn Sha Tsui, Kowloon, Hong Kong	US$ 11,594,429	Investment
Haobo Information Consulting (Shenzhen) Co., Ltd.	2008.11.14	2208B, Fuchun Eastern Building, Agricultural Science Center, Futian District, Shenzhen, Guangdong Province	RMB 11,000,000	Investment
Fubon Gehua (Beijing) Enterprise Ltd.	2010.12.08	Room 102, Building 3, No. 241, Ping Fang Rd., Chaoyang District, Beijing, China	RMB 77,500,000	Wholesale sales

3. Other significant events affecting shareholders’ equity or stock price: None

4. Industries covered by affiliates’ business operations

The Company’s affiliates have set digital convergence as their core strategy, focusing on building 1) platforms: mobile network, cable TV/digital TV and cable broadband; 2) content: momo TV home shopping broadcasting, momo Family TV Channel, digital content and media, mobile commerce and payment, mobile apps and IoT; and 3) virtual/physical channels: myfone direct stores/online shopping and momoshop, to lay out the Group’s T.I.M.E. (Telecom, Internet, Media & Entertainment and E-commerce) footprint.

5. Affiliates' lists of directors, supervisors and presidents

As of December 31, 2018; Unit: share (unless otherwise stated), %

Company name	Title	Name of Representative	Shares	%
Taiwan Cellular Co., Ltd.	Chairman	Taiwan Mobile Co., Ltd. Representative: Daniel M. Tsai	502,970,309	100.00%
	Director	Taiwan Mobile Co., Ltd. Representative: Richard M. Tsai	502,970,309	100.00%
	Director	Taiwan Mobile Co., Ltd. Representative: James Jeng	502,970,309	100.00%
	Supervisor	Taiwan Mobile Co., Ltd. Representative: Rosie Yu	502,970,309	100.00%
	President	James Jeng	-	-
Wealth Media Technology Co., Ltd.	Chairman	Taiwan Mobile Co., Ltd. Representative: Daniel M. Tsai	42,065,000	100.00%
	Director	Taiwan Mobile Co., Ltd. Representative: Richard M. Tsai	42,065,000	100.00%
	Director	Taiwan Mobile Co., Ltd. Representative: James Jeng	42,065,000	100.00%
	Supervisor	Taiwan Mobile Co., Ltd. Representative: Rosie Yu	42,065,000	100.00%
	President	James Jeng	-	-
Taipei New Horizon Co., Ltd.	Chairman	Taiwan Mobile Co., Ltd. Representative: Daniel M. Tsai	191,865,500	49.90%
	Director	Taiwan Mobile Co., Ltd. Representative: James Jeng	191,865,500	49.90%
	Director	Fubon Land Development Co., Ltd. Representative: Charles Hsueh	192,634,500	50.10%
	Director	Fubon Land Development Co., Ltd. Representative: Jack Chiang	192,634,500	50.10%
	Director	Fubon Land Development Co., Ltd. Representative: Liang-Cheng Sung	192,634,500	50.10%
	Supervisor	Ariel Hwang	-	-
	President	Liang-Cheng Sung	-	-
Taiwan Fixed Network Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: Daniel M. Tsai	2,100,000,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Richard M. Tsai	2,100,000,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: James Jeng	2,100,000,000	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Rosie Yu	2,100,000,000	100.00%
	President	James Jeng	-	-
Taiwan Teleservices & Technologies Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: James Jeng	2,484,300	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Daniel M. Tsai	2,484,300	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Steve Chou	2,484,300	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Rosie Yu	2,484,300	100.00%
	President	Steve Chou	-	-
TWM Holding Co., Ltd.	Director	James Jeng	US$ 1	100.00%
	President	(Note 1)		
TCC Investment Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: Daniel M. Tsai	154,721,308	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Richard M. Tsai	154,721,308	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: James Jeng	154,721,308	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Rosie Yu	154,721,308	100.00%
	President	James Jeng	-	-
Taiwan Digital Communications Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: James Jeng	11,200,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Daniel M. Tsai	11,200,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative：Richard M. Tsai	11,200,000	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Rosie Yu	11,200,000	100.00%
	President	James Jeng	-	-
Taiwan Digital Service Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: James Jeng	2,500,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Daniel M. Tsai	2,500,000	100.00%

Company name	Title	Name of Representative	Shares	%
	Director	Taiwan Cellular Co., Ltd. Representative: Richard M. Tsai	2,500,000	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Rosie Yu	2,500,000	100.00%
	President	Michael Teng	-	-
Taihsin Property Insurance Agent Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: Daniel M. Tsai	500,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: James Jeng	500,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Jeff Ku	500,000	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Jean Chang	500,000	100.00%
	President	Rita Kuo	-	-
Tai-Fu Cloud Technology Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: James Jeng	500,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: C.H. Wu	500,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Allen Liou	500,000	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Ariel Hwang	500,000	100.00%
	President	C.H. Wu	-	-
TFN Media Co., Ltd.	Chairman	Wealth Media Technology Co., Ltd. Representative: Daniel M. Tsai	230,921,304	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: Richard M. Tsai	230,921,304	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: James Jeng	230,921,304	100.00%
	Supervisor	Wealth Media Technology Co., Ltd. Representative: Rosie Yu	230,921,304	100.00%
	President	James Jeng	-	-
Global Forest Media Technology Co., Ltd.	Chairman	Wealth Media Technology Co., Ltd. Representative: James Jeng	1,500,000	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: Jeff Ku	1,500,000	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: Tom Koh	1,500,000	100.00%
	Supervisor	Wealth Media Technology Co., Ltd. Representative: Rosie Yu	1,500,000	100.00%
	President	James Jeng	-	-
Global Wealth Media Technology Co., Ltd.	Chairman	Wealth Media Technology Co., Ltd. Representative: James Jeng	8,944,867	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: Jeff Ku	8,944,867	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: Tom Koh	8,944,867	100.00%
	Supervisor	Wealth Media Technology Co., Ltd. Representative: Rosie Yu	8,944,867	100.00%
	President	James Jeng	-	-
Win TV Broadcasting Co., Ltd.	Chairman	Wealth Media Technology Co., Ltd. Representative: James Jeng	18,177,382	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: Daniel M. Tsai	18,177,382	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: Richard M. Tsai	18,177,382	100.00%
	Supervisor	Wealth Media Technology Co., Ltd. Representative: Rosie Yu	18,177,382	100.00%
	President	Jing-Yi Chen	-	-
momo.com Inc.	Chairman	Wealth Media Technology Co., Ltd. Representative: C.F. Lin	63,047,205	45.01%
	Director	Wealth Media Technology Co., Ltd. Representative: James Jeng	63,047,205	45.01%
	Director	Wealth Media Technology Co., Ltd. Representative: Chris Tsai	63,047,205	45.01%
	Director	Wealth Media Technology Co., Ltd. Representative: Summer Hsieh	63,047,205	45.01%
	Director	Tong-An Investment Co., Ltd. Representative: Mao-Hsiung Huang	15,470,000	11.05%
	Director	Woori Homeshopping Co., Ltd. Representative: Oh Kabryeol	14,014,000	10.01%
	Independent Director	Shikuan Chen	-	-
	Independent Director	Brian Y. Hsieh	-	-

Company name	Title	Name of Representative	Shares	%
	Independent Director	Hong-So Chen	-	-
	President	C.F. Lin	624,588	0.45%
TFN Union Investment Co., Ltd.	Chairman	Taiwan Fixed Network Co., Ltd. Representative: Daniel M. Tsai	400,000	100.00%
	Director	Taiwan Fixed Network Co., Ltd. Representative: Richard M. Tsai	400,000	100.00%
	Director	Taiwan Fixed Network Co., Ltd. Representative: James Jeng	400,000	100.00%
	Supervisor	Taiwan Fixed Network Co., Ltd. Representative: Rosie Yu	400,000	100.00%
	President	James Jeng	-	-
TFN HK Ltd.	Director	Taiwan Fixed Network Co., Ltd. Representative: Rosie Yu	HK$ 1,300,000	100.00%
	Director	James Jeng	-	-
	President	(Note 1)		
TWM Communications (Beijing) Ltd.	Chairman	TWM Holding Co., Ltd. Representative: James Jeng	US$ 3,000,000	100.00%
	Director	TWM Holding Co. Ltd. Representative: Jeff Ku	US$ 3,000,000	100.00%
	Director	TWM Holding Co., Ltd. Representative: Tom Koh	US$ 3,000,000	100.00%
	Supervisor	TWM Holding Co. Ltd. Representative: Rosie Yu	US$ 3,000,000	100.00%
	President	James Jeng	-	-
TCCI Investment and Development Co., Ltd.	Chairman	TCC Investment Co., Ltd.. Representative: Daniel M. Tsai	104,712,000	100.00%
	Director	TCC Investment Co., Ltd. Representative: Richard M. Tsai	104,712,000	100.00%
	Director	TCC Investment Co., Ltd. Representative: James Jeng	104,712,000	100.00%
	Supervisor	TCC Investment Co., Ltd. Representative: Rosie Yu	104,712,000	100.00%
	President	James Jeng	-	-
Taiwan Kuro Times Co., Ltd.	Chairman	TFN Media Co., Ltd. Representative: James Jeng	12,000,000	100.00%
	Director	TFN Media Co., Ltd. Representative: Rosie Yu	12,000,000	100.00%
	Director	TFN Media Co., Ltd. Representative: Daphne Lee	12,000,000	100.00%
	Supervisor	TFN Media Co., Ltd. Representative: Tom Koh	12,000,000	100.00%
	President	Daphne Lee	-	-
Yeong Jia Leh Cable TV Co., Ltd.	Chairman	TFN Media Co., Ltd. Representative: James Jeng	33,940,000	100.00%
	Director	TFN Media Co., Ltd. Representative: Rosie Yu	33,940,000	100.00%
	Director	TFN Media Co., Ltd. Representative: Jeff Ku	33,940,000	100.00%
	Director	TFN Media Co., Ltd. Representative: Tom Koh	33,940,000	100.00%
	Director	TFN Media Co., Ltd. Representative: Chi-Kai Liao	33,940,000	100.00%
	Supervisor	TFN Media Co., Ltd. Representative: Ariel Hwang	33,940,000	100.00%
	Supervisor	TFN Media Co., Ltd. Representative: Jay Hong	33,940,000	100.00%
	President	Chi-Kai Liao	0	0
Mangrove Cable TV Co., Ltd.	Chairman	Dai-Ka Ltd. Representative: Chao-Nan Kuo	14,912,000	70.47%
	Director	Dai-Ka Ltd. Representative: Sheng-Hung Lin	14,912,000	70.47%
	Independent Director	Eric Chang	0	0
	President	Sheng-Hung Lin	0	0
Phoenix Cable TV Co., Ltd.	Chairman	TFN Media Co., Ltd. Representative：James Jeng	68,090,198	100.00%
	Director	TFN Media Co., Ltd. Representative：Rosie Yu	68,090,198	100.00%
	Director	TFN Media Co., Ltd. Representative: Jeff Ku	68,090,198	100.00%
	Director	TFN Media Co., Ltd. Representative: Tom Koh	68,090,198	100.00%

Company name	Title	Name of Representative	Shares	%
	Director	TFN Media Co., Ltd. Representative: Chen-Lu Lin	68,090,198	100.00%
	Supervisor	TFN Media Co., Ltd. Representative: Ariel Hwang	68,090,198	100.00%
	Supervisor	TFN Media Co., Ltd. Representative: Jay Hong	68,090,198	100.00%
	President	Chen-Lu Lin	0	0
Union Cable TV Co., Ltd.	Chairman	TFN Media Co., Ltd. Representative: James Jeng	169,141,000	99.22%
	Director	TFN Media Co., Ltd. Representative: Rosie Yu	169,141,000	99.22%
	Director	TFN Media Co., Ltd. Representative: Jeff Ku	169,141,000	99.22%
	Director	TFN Media Co., Ltd. Representative: Tom Koh	169,141,000	99.22%
	Director	TFN Media Co., Ltd. Representative: Tsan-Chang Yang	169,141,000	99.22%
	Supervisor	Global Forest Media Technology Co., Ltd. Representative: Jay Hong	1,300,326	0.76%
	Supervisor	Ariel Hwang	-	-
	President	Tsan-Chang Yang	-	-
Globalview Cable TV Co., Ltd.	Chairman	TFN Media Co., Ltd. Representative: James Jeng	51,733,200	92.38%
	Director	TFN Media Co., Ltd. Representative: Rosie Yu	51,733,200	92.38%
	Director	TFN Media Co., Ltd. Representative: Jeff Ku	51,733,200	92.38%
	Director	TFN Media Co., Ltd. Representative: Tom Koh	51,733,200	92.38%
	Director	TFN Media Co., Ltd. Representative: Hung-Chun Chou	51,733,200	92.38%
	Supervisor	Global Wealth Media Technology Co.,Ltd. Representative: Jay Hong	3,825,333	6.83%
	Supervisor	Ariel Hwang	-	-
	President	Hung-Chun Chou	-	-
Asian Crown International Co., Ltd.	Director	momo.com Inc.	US$ 9,735,459	81.99%
	President	(Note 1)		
Honest Development Co., Ltd.	Director	momo.com Inc.	US$ 21,778,413	100.00%
	President	(Note 1)		
Fuli Life Insurance Agent Co., Ltd.	Chairman	momo.com Inc. Representative: C.F. Lin	500,000	100.00%
	Director	momo.com Inc. Representative: Leanne Wang	500,000	100.00%
	Director	momo.com Inc. Representative: Julia Chou	500,000	100.00%
	Supervisor	momo.com Inc. Representative: Kiki Hung	500,000	100.00%
	President	C.F. Lin	-	-
Fuli Property Insurance Agent Co., Ltd.	Chairman	momo.com Inc. Representative: Gina Lu	500,000	100.00%
	Director	momo.com Inc. Representative: Jeremy Hong	500,000	100.00%
	Director	momo.com Inc. Representative: Hana Hsieh	500,000	100.00%
	Supervisor	momo.com Inc. Representative: Kiki Hung	500,000	100.00%
	President	Gina Lu	-	-
Fu Sheng Travel Service Co., Ltd.	Chairman	momo.com Inc. Representative: C.F. Lin	3,000,000	100.00%
	Director	momo.com Inc. Representative: Summer Hsieh	3,000,000	100.00%
	Director	momo.com Inc. Representative: Gina Lu	3,000,000	100.00%
	Supervisor	momo.com Inc. Representative: Jeremy Hong	3,000,000	100.00%
	President	(Note 1)		
BEBE POSHE International Co., Ltd..	Chairman	momo.com Inc. Representative: C.F. Lin	8,500,000	85%

Company name	Title	Name of Representative	Shares	%
	Director	Jennifer Lin	-	-
	Director	momo.com Inc. Representative: Summer Hsieh	8,500,000	85%
	Director	momo.com Inc. Representative: Jeremy Hong	8,500,000	85%
	Director	momo.com Inc. Representative: Gina Lu	8,500,000	85%
	Supervisor	Carey Lin	-	-
	President	Summer Hsieh	-	-
Fortune Kingdom Corp.	Director	Asian Crown International Co., Ltd.	US$ 11,594,429	100.00%
	President	(Note 1)		
Hongkong Yue Numerous Investment Co, Ltd.	Director	Honest Development Co., Ltd.	HK$ 16,600,000	100.00%
	Director	C.F. Lin	-	-
	President	(Note 1)		
Hong Kong Fubon Multimedia Technology Co., Ltd.	Director	Fortune Kingdom Corp.	US$ 11,594,429	100.00%
	Director	C.F. Lin	-	-
	President	(Note 1)		
Haobo Information Consulting (Shenzhen) Co., Ltd	Chairman	Hongkong Yue Numerous Investment Co, Ltd. Representative: C.F. Lin	RMB 11,000,000	100.00%
	Supervisor	Hongkong Yue Numerous Investment Co, Ltd. Representative: Kiki Hung	RMB 11,000,000	100.00%
	President	Summer Hsieh	-	-
Fubon Gehua (Beijing) Enterprise Ltd.	Chairman	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: C.F. Lin	RMB 72,499,800	93.548%
	Director	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Jeremy Hong	RMB 72,499,800	93.548%
	Director	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Kiki Hung	RMB 72,499,800	93.548%
	Director	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Nien-Pei Tsai	RMB 72,499,800	93.548%
	Director	Prosperous Group (Asia) Ltd. Representative: Pei-Yin Yu	RMB 5,000,200	6.452%
	Supervisor	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Summer Hsieh	RMB 72,499,800	93.548%
	Supervisor	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Gina Lu	RMB 72,499,800	93.548%
	President	C.F. Lin	-	-

Note 1: No President

Note 2: No. of shares unless stated otherwise, i.e., paid-in capital in foreign denomination

6. Affiliates' operating highlights

As of December 31, 2018; 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	86,651,440	8,193	86,643,247	-	(16)	3,584,025	7.13
Wealth Media Technology Co., Ltd.	420,650	20,448,133	1,574	20,446,559	-	(2)	2,082,254	49.50
Taipei New Horizon Co., Ltd.	3,845,000	7,823,461	4,270,704	3,552,757	587,091	184,109	102,109	0.27
Taiwan Fixed Network Co., Ltd.	21,000,000	60,117,901	3,756,173	56,361,728	10,008,519	4,112,661	3,465,946	1.65
Taiwan Teleservices & Technologies Co., Ltd.	24,843	470,317	392,154	78,163	1,157,403	64,340	50,981	20.52
TWM Holding Co., Ltd.	0.032	256,078	31	256,047	-	(62)	9,348	9,347,939
TCC Investment Co., Ltd.	1,547,213	29,648,910	553,653	29,095,257	239	(33)	11,317	0.07

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income	EPS (NT$)
Taiwan Digital Communications Co., Ltd.	112,000	115,873	57	115,816	-	(151)	250	0.02
Taiwan Digital Service Co., Ltd.	25,000	141,960	32,107	109,853	231,976	18,923	15,461	6.18
Taihsin Property Insurance Agent Co., Ltd.	5,000	67,867	39,953	27,914	92,986	28,714	22,972	45.94
Tai-Fu Cloud Co., Ltd.	5,000	4,531	122	4,409	-	(740)	(591)	(1.18)
TFN Media Co., Ltd.	2,309,213	13,094,208	3,473,417	9,620,791	3,297,438	1,800,619	1,449,737	6.28
Global Forest Media Technology Co., Ltd.	15,000	16,930	51	16,879	-	(139)	(403)	(0.27)
Global Wealth Media Technology Co., Ltd.	89,449	96,484	74	96,410	-	(165)	2,636	0.29
Win TV Broadcasting Co., Ltd.	181,774	860,603	535,428	325,175	913,279	104,491	77,655	4.27
momo.com Inc.	1,400,585	11,970,741	5,820,238	6,150,503	41,938,107	1,423,093	1,449,640	10.35
TFN Union Investment Co., Ltd.	4,000	43,736,618	1,285,423	42,451,195	-	(77)	(77)	(0.19)
TFN HK Ltd.	5,109	8,289	61	8,228	(3)	(286)	(243)	(0.19)
TT&T Holdings Co., Ltd.	-	-	-	-	-	-	(279)	NA
TWM Communications (Beijing) Co., Ltd.	92,370	78,912	68	78,844	-	(280)	1,207	NA
TCCI Investment and Development Co., Ltd.	1,047,120	9,330,436	274,217	9,056,219	-	(106)	(106)	(0.00)
Taiwan Kuro Times Co., Ltd.	120,000	229,562	115,769	113,793	359,773	24,644	21,765	1.81
Yeong Jia Leh Cable TV Co., Ltd.	339,400	779,515	388,468	391,047	854,282	(163,858)	(162,988)	(4.80)
Mangrove Cable TV Co., Ltd.	211,600	620,960	253,675	367,285	504,473	64,987	54,149	2.56
Phoenix Cable TV Co., Ltd.	680,902	1,415,621	385,221	1,030,400	1,239,861	83,633	74,195	1.09
Union Cable TV Co., Ltd.	1,704,633	2,079,892	298,091	1,781,801	680,189	(15,191)	(34,648)	(0.20)
Globalview Cable TV Co., Ltd.	560,000	906,829	220,179	686,650	512,290	45,988	40,993	0.73
Asian Crown International Co., Ltd.	364,890	50,609	-	50,609	-	(58)	(14,417)	(0.88)
Honest Development Co., Ltd.	670,448	794,501	-	794,501	-	-	36,435	1.67
Fuli Life Insurance Agent Co., Ltd.	5,000	9,746	436	9,310	1,828	288	238	0.48
Fuli Property Insurance Agent Co., Ltd.	5,000	11,789	820	10,969	4,933	2,548	2,045	4.09
Fu Sheng Travel Service Co., Ltd.	30,000	274,043	225,508	48,535	24,359	14,705	10,243	3.41
Bebe Poshe International Co., Ltd.	100,000	69,611	3,656	65,955	4,829	(15,286)	(21,969)	(4.54)
Fortune Kingdom Corp.	356,500	46,105	-	46,105	-	-	(14,566)	(0.92)
Hongkong Yue Numerous Investment Co., Ltd.	66,035	794,501	-	794,501	-	-	36,435	2.19
Hong Kong Fubon Multimedia Technology Co., Ltd.	356,500	46,161	56	46,105	-	(147)	(14,566)	(1.00)
Haobo Information Consulting (Shenzhen) Co., Ltd.	49,104	794,501	-	794,501	-	(144)	36,435	NA
Fubon Gehua (Beijing) Enterprise Ltd.	345,960	70,395	30,211	40,184	71,651	(13,514)	(16,135)	NA

Note : Exchange rates: US$1=NT$30.79, HK$1=NT$3.93 and RMB1=NT$4.464 as of December 31, 2018
Average exchange rates: US$1=NT$30.151, HK$1=NT$3.847 and RMB1=NT$4.556 for 2018

Private placement of company shares: None

TWM shares held / sold by subsidiaries

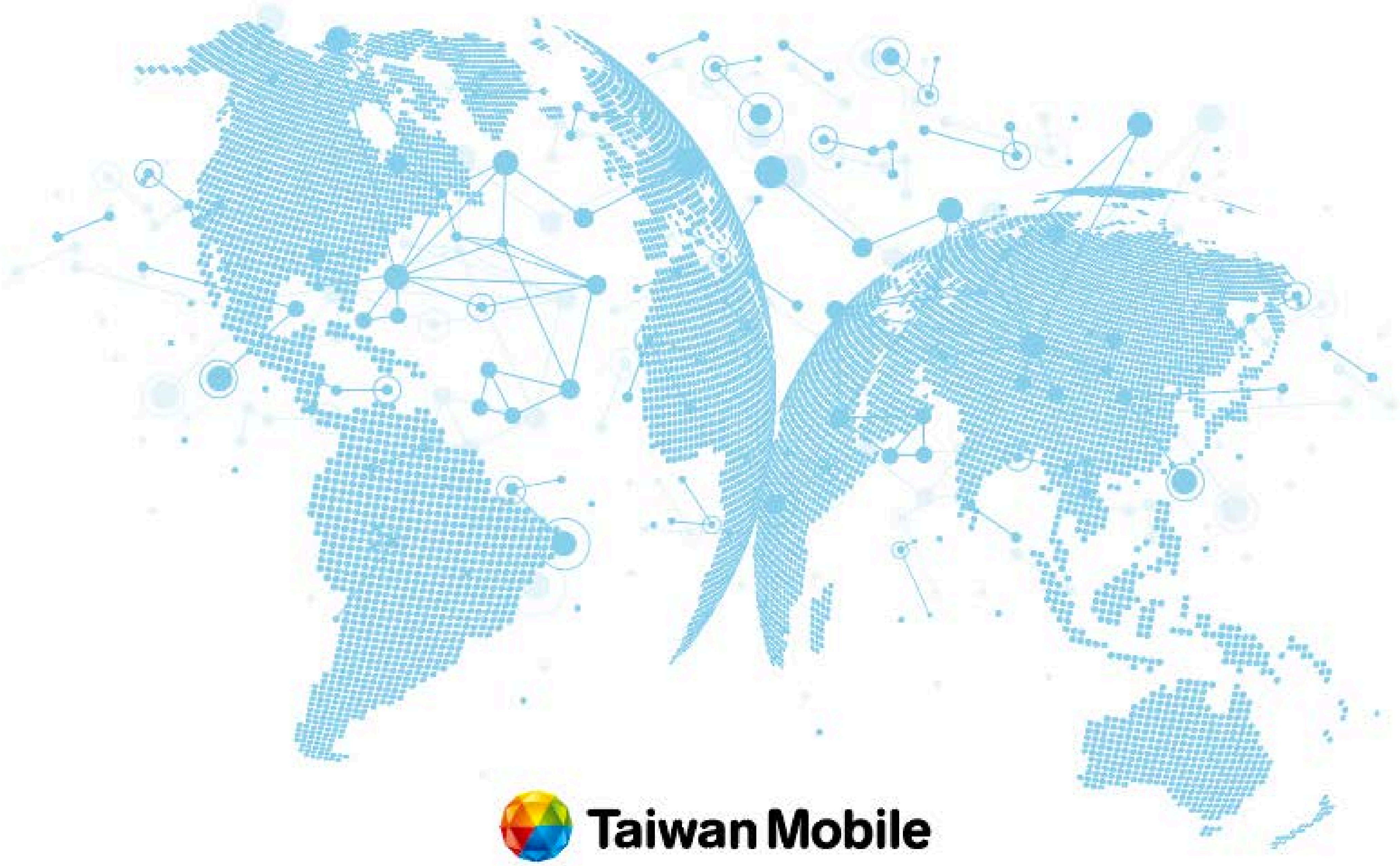
Unit：NT$ ‘000, %

Subsidiary	TCC Investment Co., Ltd. (TCCI)	TFN Union Investment Co., Ltd. (TUI)	TCCI Investment and Development Co., Ltd. (TID)
Paid-in capital	1,547,213	4,000	1,047,120
Source of funding	Equity	TFN established TUI with the shares of the Company	TFN Investment (Note 1) established TID with the shares of the Company
% owned by the Company	100%	100%	100%
Acquisition / disposal date	–	–	–
No. of shares acquired and payment costs	–	–	–
No. of shares sold / proceeds	–	–	–
Investment income	–	–	–
Up to publication date: Total No. of shares / value（Note 2）	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：TFN Investment was merged into TCC Investment Co., Ltd. on September 19, 2009.
Note 2：Ending balance is carrying cost and does not include evaluation gains/losses.

Other supplementary information: None

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



Taiwan Mobile

Taiwan Mobile Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Mobile Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), IFRIC Interpretations ("IFRIC"), and SIC Interpretations ("SIC") endorsed and issued into effect by the Financial Supervisory Commission ("FSC") of the Republic of China ("ROC").

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the ROC. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the 2018 consolidated financial statements are as follows:

<u>The Impairment Loss of Property, Plant and Equipment and Intangible Assets (Including Goodwill)</u>

The description of key audit matter:

The consolidated balances of property, plant and equipment and intangible assets (including goodwill) amounted to $38,855,960 thousand and $62,175,645 thousand, respectively, as of December 31, 2018. On each balance sheet date, the Group reviews its tangible and intangible assets for indications of impairment. If any indication thereof exists, the Group then estimates the recoverable amount of the assets. If it is not possible to determine the recoverable amount (fair value less costs 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. Because the aforementioned tangible and intangible assets amounted to $101,031,605 thousand (68% of total consolidated assets) and the calculation for the recoverable amount involved several assumptions and estimations which directly impact the amount recognized as impairment losses, we believe that the review for the impairment of assets is a key audit matter.

Corresponding audit procedure:

By conducting compliance tests, we obtained an understanding of the estimation for asset impairment and of the design and execution for relevant controls. We also performed major audit procedures which are as follows:

1. Obtain the valuation form of asset impairment produced by the Group for each cash-generating unit.

2. Evaluate the appropriateness of the assumptions and sensitivity analyses, including the classification of cash-generating units, forecasts of cash flows, and discount rates, used by the management to assess asset impairment.

Telecommunications and Value-added Services Revenue

The description of key audit matter:

The source of the major operating revenue of the Group is the telecommunications and value-added services revenue, totaling $53,320,270 thousand for the year ended December 31, 2018. The Group offers more different monthly-fee plans and diversifies the business by innovating value-added services since the telecommunication industry becomes more competitive nowadays. The competitive telecommunication industry and complicated revenue calculation, which highly relies on automatic, systematic connection and implementation, lead the telecommunications and value-added services revenue to be considered as one of the key audit matters.

Corresponding audit procedure:

By conducting compliance tests, we obtained an understanding of the revenue recognition process and of the design and execution for relevant controls. We also performed major audit procedures which are as follows:

1. Review the contracts of mobile subscribers to ensure the accuracy of information in the accounting system.

2. Perform dialing tests to verify the completeness of the information in the telephone exchange system.

3. Perform system integration tests from telephone-exchange to telephone traffic.

4. Test for the accuracy of call record charge rates and billing calculations.

5. Verify the accuracy of the billing amounts generated from monthly rentals as well as airtime accounting systems and the transfer to the accounting information system.

Other Matter

We have also audited the parent company only financial statements of Taiwan Mobile Co., Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of the ROC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the ROC will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the ROC, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Li-Wen Kuo and Kwan-Chung Lai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

January 31, 2019

Notice to Readers

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 30)	$ 7,498,710	5	$ 6,631,544	4
Financial assets at fair value through profit or loss (Note 30)	81,474	-	-	-
Financial assets at fair value through other comprehensive income (Note 7)	255,732	-	-	-
Available-for-sale financial assets (Notes 8 and 30)	-	-	1,104,467	1
Contract assets (Note 23)	5,472,357	4	-	-
Debt instrument investment without active market	-	-	465,654	-
Accounts and notes receivable, net (Note 9)	7,531,858	5	14,571,025	10
Accounts receivable due from related parties (Note 30)	137,958	-	106,475	-
Other receivables (Note 30)	2,066,105	1	1,791,718	1
Inventories (Note 10)	3,945,663	3	4,331,809	3
Prepayments (Note 30)	584,799	1	506,343	-
Assets held for sale	-	-	1,737	-
Other financial assets (Notes 30 and 31)	576,542	-	2,794,954	2
Other current assets (Note 32)	917,689	1	45,391	-
Total current assets	29,068,887	20	32,351,117	21
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Note 7)	4,763,899	3	-	-
Available-for-sale financial assets (Note 8)	-	-	4,384,641	3
Contract assets (Note 23)	3,208,519	2	-	-
Financial assets at cost	-	-	171,221	-
Investments accounted for using equity method (Note 11)	1,435,607	1	1,493,852	1
Property, plant and equipment (Note 14)	38,855,960	26	41,603,421	27
Investment properties, net (Note 15)	2,999,403	2	2,964,035	2
Concessions (Notes 16 and 31)	40,528,874	27	43,670,580	28
Goodwill (Note 16)	15,872,595	11	15,845,930	10
Other intangible assets, net (Note 16)	5,774,176	4	5,856,310	4
Deferred tax assets (Note 25)	806,521	1	820,244	1
Incremental costs of obtaining a contract (Note 23)	2,946,282	2	-	-
Other financial assets (Notes 30, 31 and 32)	131,110	-	128,987	-
Other non-current assets (Notes 17 and 30)	1,275,195	1	5,232,416	3
Total non-current assets	118,598,141	80	122,171,637	79
TOTAL	$ 147,667,028	100	$ 154,522,754	100

	December 31, 2018		December 31, 2017	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	$ 10,270,000	7	$ 9,662,318	6
Short-term notes and bills payable (Note 18)	1,498,992	1	5,595,892	4
Contract liabilities (Note 23)	2,030,793	1	-	-
Accounts and notes payable	6,756,980	5	8,014,484	5
Accounts payable due to related parties (Note 30)	179,588	-	129,632	-
Other payables (Note 30)	9,581,496	6	11,224,440	7
Current tax liabilities	2,377,000	2	1,240,549	1
Provisions (Note 20)	120,334	-	178,008	-
Advance receipts	111,250	-	2,790,314	2
Long-term liabilities, current portion (Notes 18 and 19)	6,802,916	5	15,602,817	10
Other current liabilities (Note 30)	2,154,154	1	2,040,632	1
Total current liabilities	41,883,503	28	56,479,086	36
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Note 19)	1,861	-	9,961	-
Contract liabilities (Note 23)	56,144	-	-	-
Bonds payable (Note 19)	24,419,137	17	14,149,407	9
Long-term borrowings (Note 18)	8,889,438	6	14,192,673	9
Provisions (Note 20)	1,400,954	1	1,371,869	1
Deferred tax liabilities (Note 25)	917,261	1	729,786	1
Net defined benefit liabilities (Note 21)	510,880	-	443,044	-
Guarantee deposits	1,013,905	1	978,816	1
Other non-current liabilities	580,249	-	656,511	-
Total non-current liabilities	37,789,829	26	32,532,067	21
Total liabilities	79,673,332	54	89,011,153	57
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 22)				
Common stock	34,208,519	23	34,208,328	22
Capital collected in advance	29,819	-	-	-
Capital surplus	12,580,692	9	13,939,278	9
Retained earnings				
Legal reserve	27,558,064	19	26,138,846	17
Special reserve	362,703	-	690,034	-
Unappropriated earnings	16,954,448	11	14,735,424	10
Other equity interests	(95,381)	-	(362,703)	-
Treasury stock	(29,717,344)	(20)	(29,717,344)	(19)
Total equity attributable to owners of the parent	61,881,520	42	59,631,863	39
NON-CONTROLLING INTERESTS (Note 22)	6,112,176	4	5,879,738	4
Total equity	67,993,696	46	65,511,601	43
TOTAL	$ 147,667,028	100	$ 154,522,754	100

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 23 and 30)	$ 118,732,328	100	$ 117,171,107	100
OPERATING COSTS (Notes 10, 30 and 34)	84,315,734	71	81,445,116	70
GROSS PROFIT FROM OPERATIONS	34,416,594	29	35,725,991	30
OPERATING EXPENSES (Notes 30 and 34)				
Marketing	11,340,018	10	12,256,098	11
Administrative	5,134,269	4	5,246,817	4
Expected credit loss	411,210	-	-	-
Total operating expenses	16,885,497	14	17,502,915	15
NET OTHER INCOME AND EXPENSES	630,945	-	869,336	1
OPERATING INCOME	18,162,042	15	19,092,412	16
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 24 and 30)	227,605	-	396,068	-
Other gains and losses, net (Notes 24 and 30)	(125,717)	-	(1,252,614)	(1)
Finance costs (Note 24)	(601,841)	-	(633,525)	-
Share of profit (loss) of associates accounted for using equity method (Note 11)	27,128	-	28,942	-
Total non-operating income and expenses	(472,825)	-	(1,461,129)	(1)
PROFIT BEFORE TAX	17,689,217	15	17,631,283	15
INCOME TAX EXPENSE (Note 25)	3,203,449	3	2,682,496	2
PROFIT	14,485,768	12	14,948,787	13
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 11, 21, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements from defined benefit plans	(78,532)	-	(81,799)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	210,717	-	-	-
Share of other comprehensive income (loss) of associates accounted for using equity method	(18,477)	-	(510)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation	(14,114)	-	(12,537)	-
Unrealized gain (loss) on available-for-sale financial assets	-	-	352,025	-
Share of other comprehensive income (loss) of associates accounted for using equity method	(1,040)	-	(41,885)	-
Other comprehensive income (loss) (after tax)	98,554	-	215,294	-
COMPREHENSIVE INCOME	$ 14,584,322	12	$ 15,164,081	13
PROFIT ATTRIBUTABLE TO:				
Owners of the parent	$ 13,642,172	11	$ 14,192,176	12
Non-controlling interests	843,596	1	756,611	1
	$ 14,485,768	12	$ 14,948,787	13
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	$ 13,768,068	12	$ 14,437,341	12
Non-controlling interests	816,254	-	726,740	1
	$ 14,584,322	12	$ 15,164,081	13
EARNINGS PER SHARE (Note 26)				
Basic earnings per share	$ 5.01		$ 5.21	
Diluted earnings per share	$ 4.86		$ 5.06	

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent												
				Retained Earnings			Other Equity Interests						
	Common Stock	Capital Collected in Advance	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Stock	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2017	$ 34,208,328	$ -	$ 14,985,047	$ 24,606,828	$ 1,173,954	$ 15,850,111	$ (9,133)	$ -	$ (680,901)	$ (29,717,344)	$ 60,416,890	$ 5,769,645	$ 66,186,535
Distribution of 2016 earnings													
Legal reserve	-	-	-	1,532,018	-	(1,532,018)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(483,920)	483,920	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(14,176,599)	-	-	-	-	(14,176,599)	-	(14,176,599)
Total distribution of earnings	-	-	-	1,532,018	(483,920)	(15,224,697)	-	-	-	-	(14,176,599)	-	(14,176,599)
Cash dividends from capital surplus	-	-	(1,067,056)	-	-	-	-	-	-	-	(1,067,056)	-	(1,067,056)
Profit for the year ended December 31, 2017	-	-	-	-	-	14,192,176	-	-	-	-	14,192,176	756,611	14,948,787
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	(82,166)	(7,366)	-	334,697	-	245,165	(29,871)	215,294
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	14,110,010	(7,366)	-	334,697	-	14,437,341	726,740	15,164,081
Changes in equity of associates accounted for using equity method	-	-	3,753	-	-	-	-	-	-	-	3,753	-	3,753
Changes in other capital surplus	-	-	17,534	-	-	-	-	-	-	-	17,534	-	17,534
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(616,647)	(616,647)
BALANCE, DECEMBER 31, 2017	34,208,328	-	13,939,278	26,138,846	690,034	14,735,424	(16,499)	-	(346,204)	(29,717,344)	59,631,863	5,879,738	65,511,601
Effect of retrospective application and retrospective restatement	-	-	-	-	-	3,354,181	-	(281,785)	346,204	-	3,418,600	(39)	3,418,561
ADJUSTED BALANCE, JANUARY 1, 2018	34,208,328	-	13,939,278	26,138,846	690,034	18,089,605	(16,499)	(281,785)	-	(29,717,344)	63,050,463	5,879,699	68,930,162
Distribution of 2017 earnings													
Legal reserve	-	-	-	1,419,218	-	(1,419,218)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(327,331)	327,331	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(13,610,406)	-	-	-	-	(13,610,406)	-	(13,610,406)
Total distribution of earnings	-	-	-	1,419,218	(327,331)	(14,702,293)	-	-	-	-	(13,610,406)	-	(13,610,406)
Cash dividends from capital surplus	-	-	(1,633,249)	-	-	-	-	-	-	-	(1,633,249)	-	(1,633,249)
Profit for the year ended December 31, 2018	-	-	-	-	-	13,642,172	-	-	-	-	13,642,172	843,596	14,485,768
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	(78,832)	(7,899)	212,627	-	-	125,896	(27,342)	98,554
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	13,563,340	(7,899)	212,627	-	-	13,768,068	816,254	14,584,322
Convertible bonds converted to common stock	191	29,819	275,614	-	-	-	-	-	-	-	305,624	-	305,624
Changes in percentage of ownership interests in subsidiaries	-	-	(10,347)	-	-	-	-	-	-	-	(10,347)	12,663	2,316
Changes in equity of associates accounted for using equity method	-	-	8,380	-	-	1,971	-	-	-	-	10,351	9,717	20,068
Changes in other capital surplus	-	-	1,016	-	-	-	-	-	-	-	1,016	-	1,016
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	1,825	-	(1,825)	-	-	-	-	-
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(616,452)	(616,452)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	10,295	10,295
BALANCE, DECEMBER 31, 2018	$ 34,208,519	$ 29,819	$ 12,580,692	$ 27,558,064	$ 362,703	$ 16,954,448	$ (24,398)	$ (70,983)	$ -	$ (29,717,344)	$ 61,881,520	$ 6,112,176	$ 67,993,696

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 17,689,217	$ 17,631,283
Adjustments		
Depreciation expense	9,904,079	10,294,267
Amortization expense	3,657,017	3,395,219
Amortization of incremental costs of obtaining contracts	3,394,116	-
Loss on disposal of property, plant and equipment, net	80,282	350,074
Loss on disposal of intangible assets, net	128,002	-
Expected credit loss	411,210	-
Provision for bad debt expense	-	322,510
Finance costs	601,841	633,525
Interest income	(61,633)	(164,036)
Dividend income	(83,164)	(72,407)
Reversal of impairment loss on property, plant and equipment	(103,586)	-
Share of profit of associates accounted for using equity method	(27,128)	(28,942)
Valuation loss on financial assets and liabilities at fair value through profit or loss	19,745	7,319
Impairment loss on financial assets at cost	-	6,180
Gain on disposal of investments	-	(3,000)
Others	891	40,300
Changes in operating assets and liabilities		
Financial assets mandatorily at fair value through profit or loss	736,265	-
Contract assets	1,920,836	-
Accounts and notes receivable	(9,311)	841,979
Accounts receivable due from related parties	(34,468)	(22,934)
Other receivables	(272,544)	(292,690)
Inventories	387,701	(260,061)
Prepayments	(84,649)	(6,619)
Other current assets	(794,848)	(2,077)
Other financial assets	(9,299)	(45)
Incremental costs of obtaining a contract	(2,173,201)	-
Contract liabilities	(696,235)	-
Accounts and notes payable	(1,231,342)	981,373
Accounts payable due to related parties	49,956	(16,350)
Other payables	(831,657)	772,736
Provisions	(70,429)	(14,960)
Advance receipts	22,303	152,272
Other current liabilities	(4,055)	(343,883)
Net defined benefit liabilities	(53,206)	(24,831)
Other non-current liabilities	(19,744)	-
Net cash inflows generated from operating activities	32,442,962	34,176,202
Interest received	1,199	1,314
Interest paid	(1,245)	(1,288)
Income taxes paid	(2,667,261)	(3,855,943)

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TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Net cash generated from operating activities	$ 29,775,655	$ 30,320,285
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(7,813,657)	(9,181,491)
Acquisition of intangible assets	(363,471)	(8,979,630)
Increase in prepayments for equipment	(316,330)	(235,276)
Proceeds from disposal of property, plant and equipment	44,838	32,029
Increase (decrease) in advanced receipts from assets disposals	(72)	456
Redemption of convertible notes	491,192	-
Acquisition of investments accounted for using equity method	(20,771)	-
Proceeds from capital return of investments accounted for using equity method	31,090	-
Net cash outflow on acquisition of subsidiaries	(2,925)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,669	-
Proceeds from capital return of financial assets at fair value through other comprehensive income	3,149	-
Proceeds from capital return of financial assets at cost	-	4,374
Acquisition of available-for-sale financial assets	-	(1,030,865)
Proceeds from disposal of available-for-sale financial assets	-	320,692
Proceeds from disposal of financial assets at cost	-	9,081
Increase in refundable deposits	(307,564)	(208,217)
Decrease in refundable deposits	281,551	197,587
Increase in other financial assets	(254,531)	(98,005)
Decrease in other financial assets	2,478,579	1,319,338
Interest received	60,977	85,677
Dividend received	159,947	91,942
Net cash used in investing activities	(5,526,329)	(17,672,308)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	599,472	2,300,252
Increase (decrease) in short-term notes and bills payable	(4,096,683)	5,595,382
Proceeds from issue of bonds	14,984,564	-
Repayments of bonds payable	(7,400,000)	(2,900,000)
Proceeds from long-term borrowings	-	1,000,000
Repayment of long-term borrowings	(11,206,042)	(3,407,080)
Increase in guarantee deposits received	162,473	247,099
Decrease in guarantee deposits received	(126,783)	(154,635)
Cash dividends paid (including paid to non-controlling interests)	(15,860,099)	(15,860,290)
Interest paid	(439,637)	(538,222)
Changes in non-controlling interests	2,316	-
Net cash used in financing activities	(23,380,419)	(13,717,494)

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	$ (1,741)	$ (3,456)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	867,166	(1,072,973)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,631,544	7,704,517
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,498,710	$ 6,631,544

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

1. ORGANIZATION AND OPERATIONS

Taiwan Mobile Co., Ltd. ("TWM") was incorporated in Taiwan, the Republic of China ("ROC") on February 25, 1997. TWM's stock was listed on the ROC Over-the-Counter ("OTC") Securities Exchange (known as The Taipei Exchange, TPEx) on September 19, 2000. On August 26, 2002, TWM's stock was shifted to be listed on the Taiwan Stock Exchange. TWM is mainly engaged in rendering wireless communication service and the sale of mobile phones and accessories, e-books and games.

TWM 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 2G concession license had been renewed by the National Communications Commission ("NCC") and terminated on June 30, 2017. TWM received a third-generation ("3G") concession license issued by the DGT in March 2005, and the 3G concession license terminated on December 31, 2018. TWM participated in the fourth-generation ("4G") mobile spectrum auctions held by NCC for the need of long-term business development and from April 2014 to June 2018 acquired the concession licenses for the mobile broadband spectrum in the 700, 1800 and 2100MHz frequency bands separately, and the aforementioned licenses are valid until December 2030 and December 2033, respectively.

The consolidated financial statements of TWM 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 31, 2019.

3. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

a. Application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), Interpretations of IFRS ("IFRIC"), and Interpretations of IAS ("SIC") (collectively, the "IFRSs") endorsed and issued into effect by the ROC Financial Supervisory Commission ("FSC").

   The Group initially applied IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on January 1, 2018. Based on the considerations of the comparability with peer telecommunication carriers and the consistency of financial reporting for investors, the Group chose not to restate its consolidated accounts for the previous reporting periods.

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

1) IFRS 9 "Financial Instruments" and related amendment

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Please refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment on whether it would retrospectively applied those newly issued and/or amended accounting standards and interpretations.

The following table shows the measurement categories and carrying amount under IAS 39 and IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2018.

	Measurement Category		Carrying Amount		
Financial assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 6,631,544	$ 6,631,544	-
Stocks	Available-for-sale/ Financial assets at cost	Fair value through other comprehensive income ("FVTOCI") - equity instrument	4,029,458	4,029,458	(a)
Limited partnerships	Available-for-sale	FVTOCI - equity instrument	785,065	785,065	(a)
Beneficiary certificates	Available-for-sale	Fair value through profit or loss ("FVTPL")	845,806	845,806	(b)
Convertible notes	Financial assets at FVTPL - derivative instrument	-	-	-	(c)
	Loans and receivables - Debt instrument investment without active market	-	465,654	-	(c)
	-	FVTPL	-	490,931	(c)
Notes receivable, trade receivables and other receivables (including related parties)	Loans and receivables	Amortized cost	20,528,898	9,943,528	(d)
Contract assets	-	-	-	10,585,370	(d)
Other financial assets	Loans and receivables	Amortized cost	2,923,941	2,923,941	-
Refundable deposits	Loans and receivables	Amortized cost	608,184	608,184	-

	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Financial assets at FVTPL	$ -	$ -	$ -	$ -	$ -	$ -	-
Add: From available-for-sale (IAS 39) - required reclassification	-	845,806	-	845,806	(69,410)	69,410	(b)
Add: Remeasurement of debt instrument investment without active market (IAS 39)	-	465,654	25,277	490,931	22,317	-	(c)
	-	1,311,460	25,277	1,336,737	(47,093)	69,410	
Financial assets at FVTOCI - equity instrument	-	-	-	-	-	-	-
Add: From available-for-sale (IAS 39)	-	4,643,302	-	4,643,302	-	-	(a)
Add: From financial assets at cost (IAS 39)	-	171,221	-	171,221	4,991	(4,991)	(a)
	-	4,814,523	-	4,814,523	4,991	(4,991)	
	$ -	$ 6,125,983	$ 25,277	$ 6,151,260	$ (42,102)	$ 64,419	

a) The Group elected to designate stocks investments and limited partnerships previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9. As a result, the related other equity - unrealized loss on available-for-sale financial assets of $276,794 thousand was reclassified to other equity - unrealized loss on financial assets at FVTOCI.

   Investments in unlisted stocks previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value.

   The Group recognized under IAS 39 impairment loss on investments in unlisted stocks previously measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $4,991 thousand in other equity and an increase of $4,991 thousand in retained earnings on January 1, 2018.

b) Beneficiary certificates previously classified as available-for-sale under IAS 39 were classified as mandatorily at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. The retrospective adjustment resulted in an increase of $69,410 thousand in other equity and a decrease of $69,410 thousand in retained earnings on January 1, 2018.

c) Convertible notes, as hybrid instruments, were previously classified as derivative instruments at FVTPL and debt instrument investment without active market under IAS 39. They have been classified as mandatorily measured at FVTPL in their entirety under IFRS 9 since they contain host contracts that are assets within the scope of IFRS 9. The retrospective adjustment resulted in a decrease of $2,960 thousand in deferred tax assets and an increase of $22,317 thousand in retained earnings on January 1, 2018. In addition, retained earnings adjustment in equity of associates accounted for using equity method increased by $2,751 thousand.

d) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost of $9,943,528 thousand and contract assets of $10,585,370 thousand, with an assessment of expected credit losses under IFRS 9 and IFRS 15, respectively.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendment

   IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Please refer to Note 4 for related accounting policies.

   Incremental costs of obtaining a contract will be capitalized and recognized as an asset to the extent the Group expects to cover 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. Before adopting IFRS 15, related costs are recognized as expense immediately.

   In accordance with IFRS 15, the Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

   The Group charges its clients non-refundable, set-up fees, which are related to activities involved in the execution of cable television contracts. The set-up fees will be recognized as advance receipts if the Group has not transferred the activities of the contracted services to the customers, and will be classified as revenue at the time when the related cable television service is provided in the future.

   Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivable was recognized or the deferred revenue was reduced when revenue was recognized for the contract under IAS 18.

For a sale with a right of return, the Group will recognize a refund liability (other current liability) and a right to recover a product (other current asset) when recognizing revenue. Prior to the application of IFRS 15, return provisions were recognized when recognizing revenue.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not completed on the transition date and recognized the cumulative effect of the change in the retained earnings on January 1, 2018.

Impact on assets, liabilities and equity for the current year

	Carrying Amount as of January 1, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Current assets			
Contract assets	$ -	$ 6,581,745	$ 6,581,745
Accounts and notes receivable, net (including related parties)	14,677,500	(6,590,003)	8,087,497
Other current assets	45,391	96,786	142,177
Non-current assets			
Contract assets	-	4,003,625	4,003,625
Incremental costs of obtaining a contract	-	4,167,197	4,167,197
Other non-current assets	5,232,416	(3,995,367)	1,237,049
Total effect on assets		$ 4,263,983	
Current liabilities			
Contract liabilities	-	$ 2,701,605	2,701,605
Accounts and notes payable	8,014,484	(27,058)	7,987,426
Other payables	11,224,440	6,320	11,230,760
Current tax liabilities	1,240,549	696,369	1,936,918
Advanced receipts	2,790,314	(2,705,867)	84,447
Other current liabilities	2,040,632	117,554	2,158,186
Non-current liabilities			
Contract liabilities	-	81,567	81,567
Total effect on liabilities		$ 870,490	
Equity			
Unappropriated earnings	14,735,424	$ 3,393,532	18,128,956
Non-controlling interests	5,879,738	(39)	5,879,699
Total effect on equity		$ 3,393,493	

The reference information, assuming the Group remains adopting IAS 18 "Revenue" as of December 31, 2018, is listed below:

	December 31, 2018
Current assets	
Contract assets	$ (5,472,357)
Accounts and notes receivable, net (including related parties)	5,472,357
Other current assets	(104,767)
Non-current assets	
Contract assets	(3,208,519)
Incremental costs of obtaining a contract	(2,946,282)
Other non-current assets	3,208,519
Total effect on assets	$ (3,051,049)
Current liabilities	
Contract liabilities	$ (2,030,793)
Accounts and notes payable	19,874
Current tax liabilities	(580,265)
Advanced receipts	2,041,001
Other current liabilities	(123,675)
Non-current liabilities	
Contract liabilities	(56,144)
Total effect on liabilities	$ (730,002)
Equity	
Unappropriated earnings	$ (2,321,036)
Non-controlling interests	(11)
Total effect on equity	$ (2,321,047)

Impact on total comprehensive income for the current year

	For the Year Ended December 31, 2018
Operating revenues	$ (31,369)
Operating costs	7,520
Operating expenses	(1,226,430)
Income tax expense	115,095
Total effect on net profit	$ 1,072,446

(Continued)

	For the Year Ended December 31, 2018
Impact on net profit attributable to:	
Owners of the parent	$1,072,496
Non-controlling interests	(50)
	$1,072,446
Impact on earnings per share:	
Basic earnings per share	$ 0.39
Diluted earnings per share	$ 0.38

(Concluded)

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by International Accounting Standards Board (IASB) (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will reassess whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Contracts that are reassessed as containing a lease will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments fall under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities and the interest portion will be classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts are recognized as expenses on a straight-line basis. The difference between the actual payments and the expenses, as adjusted for lease incentives, is recognized as accrued or prepaid expenses. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases under IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients: The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

The Group as lessor

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The Group subleased its leasehold to a third party. Such sublease is classified as an operating lease under IAS 17. The Group determines the sublease is classified as a finance lease on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019, and the Group accounts for the sublease as a new finance lease entered into at that date.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Current assets			
Accounts and notes receivable, net (including related parties)	$ 7,669,816	$ (90,839)	$ 7,578,977
Operating lease receivables	-	25,605	25,605
Finance lease receivables	-	79,954	79,954
Other receivables	2,066,105	(116)	2,065,989
Prepayments	584,799	(129,483)	455,316

(Continued)

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Non-current assets			
Right-of-use assets	$ -	$ 10,087,654	$ 10,087,654
Deferred tax assets	806,521	(11,596)	794,925
Other non-current assets	1,275,195	10,454	1,285,649
Total effect on assets		$ 9,971,633	
Current liabilities			
Other payables	9,581,496	$ (57,235)	9,524,261
Lease liabilities	-	3,368,348	3,368,348
Advanced receipts	111,250	(1,557)	109,693
Non-current liabilities			
Deferred tax liabilities	917,261	699	917,960
Lease liabilities	-	6,612,498	6,612,498
Total effect on liabilities		$ 9,922,753	
Equity			
Unappropriated earnings	16,954,448	$ 32,605	16,987,053
Non-controlling interests	6,112,176	16,275	6,128,451
Total effect on equity		$ 48,880	

(Concluded)

Except for the above potential impact, as of the date the consolidated financial statements were authorized for issue, the Group had assessed that the application of other standards and interpretations would not have significant impacts on the Group's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC.

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
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
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

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 and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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.

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.

Changes in the ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of TWM.

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 December 31 2018	2017	Note
TWM	Taiwan Cellular Co., Ltd. (TCC)	Investment	100.00%	100.00%	-
	Wealth Media Technology Co., Ltd. (WMT)	Investment	100.00%	100.00%	-
	Taipei New Horizon Co., Ltd. (TNH)	Building and operating Songshan Cultural and Creative Park BOT project	49.90%	49.90%	-
TCC	Taiwan Fixed Network Co., Ltd. (TFN)	Fixed-line service provider	100.00%	100.00%	-
	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service and telephone marketing	100.00%	100.00%	-
	TWM Holding Co., Ltd. (TWM Holding)	Investment	100.00%	100.00%	-
	TCC Investment Co., Ltd. (TCCI)	Investment	100.00%	100.00%	Note 1
	Taiwan Digital Communications Co., Ltd. (TDC)	Mobile phone wholesaling and TV program production	100.00%	100.00%	-
	Taiwan Digital Service Co., Ltd. (TDS)	Commissioned maintenance service	100.00%	100.00%	-
	Taihsin Property Insurance Agent Co., Ltd. (TPIAC)	Property insurance agent	100.00%	100.00%	-
	Tai-Fu Cloud Co., Ltd. (TFC)	Type II Telecommunications Business	100.00%	-	Note 2
WMT	TFN Media Co., Ltd. (TFNM)	Cable broadband and value-added services provider	100.00%	100.00%	-
	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00%	100.00%	-
	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00%	100.00%	-
	Win TV Broadcasting Co., Ltd. (WTVB)	TV program provider	100.00%	100.00%	-
	momo.com Inc. (momo)	Wholesale and retail sales	45.01%	45.01%	-
TFN	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00%	100.00%	Note 1
	TFN HK Ltd.	Telecommunication service provider	100.00%	100.00%	-
TT&T	TT&T Holdings Co., Ltd. (TT&T Holdings)	Investment	-	100.00%	Note 3
TWM Holding	TWM Communications (Beijing) Co., Ltd. (TWMC)	Mobile application development and design	100.00%	100.00%	-
TCCI	TCCI Investment and Development Co., Ltd. (TID)	Investment	100.00%	100.00%	Note 1
TFNM	Taiwan Kuro Times Co., Ltd. (TKT)	Online music service	100.00%	100.00%	-
	Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Cable TV service provider	100.00%	100.00%	-
	Mangrove Cable TV Co., Ltd. (MCTV)	Cable TV service provider	29.53%	29.53%	Note 4
	Phoenix Cable TV Co., Ltd. (PCTV)	Cable TV service provider	100.00%	100.00%	-
	Union Cable TV Co., Ltd. (UCTV)	Cable TV service provider	99.22%	99.22%	-
	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV service provider	92.38%	92.38%	-
GFMT	UCTV	Cable TV service provider	0.76%	0.76%	-
GWMT	GCTV	Cable TV service provider	6.83%	6.83%	-

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Ownership December 31 2018	Percentage of Ownership December 31 2017	Note
momo	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	81.99%	76.26%	Note 5
	Honest Development Co., Ltd. (Honest Development)	Investment	100.00%	100.00%	-
	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.00%	100.00%	-
	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.00%	100.00%	-
	Fu Sheng Travel Service Co., Ltd. (FST)	Travel agent	100.00%	100.00%	-
	Bebe Poshe International Co., Ltd. (Bebe Poshe)	Wholesale of cosmetics	85.00%	-	Note 6
Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.00%	100.00%	-
Honest Development	Hongkong Yue Numerous Investment Co., Ltd. (HK Yue Numerous)	Investment	100.00%	100.00%	-
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.00%	100.00%	-
HK Yue Numerous	Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo)	Investment	100.00%	100.00%	-
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	93.55%	91.30%	Note 5

(Concluded)

Note 1: TCCI, TUI and TID collectively owned 698,752 thousand shares of TWM representing 20.41% of total outstanding shares as of December 31, 2018.

Note 2: Set up in January 2018.

Note 3: Dissolved in February 2018.

Note 4: The other 70.47% of shares were held under trustee accounts.

Note 5: In August 2018, momo and its subsidiaries increased the capital of Asian Crown (BVI) to invest in FGE. Due to the non-proportional investment in capital increase, momo's ownership percentage in Asian Crown (BVI) and in FGE increased.

Note 6: In the third quarter of 2018, momo paid $85,000 thousand in cash to acquire control over Bebe Poshe and included Bebe Poshe in the consolidated financial statements.

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. Exchange differences in the period on monetary items arising from settlement or translation are recognized in profit or loss in the period which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

When 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 attributed to the owners of TWM and non-controlling interests as appropriate.

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 holds the asset primarily for the purpose of trading;

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

c. 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 holds the liability primarily for the purpose of trading;

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

c. 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.

Financial Instruments

Financial assets and financial liabilities are recognized in consolidated balance sheets when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

   The Group adopts trade-date accounting to recognize and derecognize financial assets.

   1) Measurement category

      <u>2018</u>

      Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss including relevant dividend or interest income. Fair value is determined in the manner described in Note 29.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets and refundable deposits are measured at amortized cost, which equal to gross carrying amount determined by the effective interest method less any impairment loss, except for short-term receivables when the recognition of interest is immaterial. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments. If they do not meet the above definition, time deposits should be recognized as other current or non-current financial assets.

c) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL, available-for-sale financial assets, and loans and receivables.

a) Financial assets at FVTPL

A financial asset classified in this category is for the purpose of trading or is at FVTPL.

This type of financial assets is measured at fair value, and the profit and loss (including relevant dividend and interest income) pertaining to remeasurement are recognized as non-operating income and expenses.

b) 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.

c) 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, notes and accounts receivable, other receivables, debt instrument investment without active market, other financial assets, and refundable deposits.

2) Impairment of financial assets and contract assets

2018

The Group recognizes a loss allowance for expected credit losses (“ECL”) on financial assets at amortized cost (including receivables) and contract assets.

The loss allowances for receivables and contract assets are measured at an amount equal to lifetime ECL. For other financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to 12-month ECL. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to lifetime ECL.

ECLs reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment loss in profit or loss for aforementioned financial instruments and contract assets with a corresponding adjustment to their carrying amount through a loss allowance account.

<u>2017</u>

Financial assets, other than those at FVTPL, 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.

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. In addition, 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.

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 was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment 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.

3) 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.

2018

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of investments in equity instruments at FVTOCI, the cumulative gain or loss is directly transferred to retained earnings, and it is not reclassified to profit or loss.

2017

On derecognition of a financial asset in its entirety, the difference between the carrying amount and 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. Equity instruments

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

c. Financial liabilities

1) Recognition

Except for the financial liabilities measured at FVTPL, all financial liabilities, including loans and borrowings, short-term notes and bills payable, bonds payable, notes and accounts payable, other payables, and guarantee deposits received, are measured at amortized cost calculated using the effective interest method.

2) Convertible bonds

The component parts of compound financial instruments (convertible bonds) issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated at the prevailing market interest rate for similar non-convertible instruments. The amount is recognized as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be reclassified as capital surplus - additional paid-in capital. If the conversion option remains unexercised at maturity, the balance recognized in equity will be reclassified as capital surplus - others.

Transaction costs that relate to the issuance of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

3) Derecognition of financial liabilities

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.

d. Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately.

Before 2017, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the hybrid contracts; and the contracts were not measured at FVTPL. From 2018, derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Except for aforementioned, the derivative financial instruments accounting policy is the same as the policy adopted in 2017.

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

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.

Investment in Associates

An associate is an entity in which the Group has significant influence, but is neither a subsidiary nor an interest in a joint venture. The Group applies the equity method to account for its investments in associates.

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. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss. The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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.

When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

If the Group does not subscribe the newly issued stock 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.

When the Group loses significant influence over an associate, it recognizes the investment retained in the former associate at its fair value at the date when significant influence is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when significant influence is lost is recognized as a gain or loss in profit or loss. Besides this, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. If the Group decreased the percentage of the ownership of associate due to disposal but still accounts for its investments in associate, it should reclassify the amount previously recognized in other comprehensive income to profit or loss proportionally.

When a group entity transacts with its associates, profits and losses resulting from the transactions with the associates are recognized in the Group' consolidated financial statements only to the extent that interests in the associates are not related to the Group.

Property, Plant and Equipment

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.

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.

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.

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 14 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. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation methods, useful lives, and residual values are the same as plant, property and equipment.

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 recognized at the acquisition date, and is measured at cost less accumulated impairment losses.

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 and derecognition of intangible assets

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 16 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.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Incremental Costs of Obtaining a Contract

Only when a contract is obtained, sales commissions and subsidies of telecommunication, cable television and broadband services are recognized as incremental costs of obtaining a contract to the extent the amounts are expected to be recovered, and are amortized on a straight-line basis over the life of the contract. However, the Group elects not to capitalize the incremental costs of obtaining a contract if the amortization period of the assets that the Group otherwise would have recognized is expected to be one year or less.

Impairment of Non-financial Assets

a. Goodwill

Impairment of goodwill is required to be tested at least annually. Goodwill shall 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 recoverable amount of the cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

b. Other tangible, intangible assets, and incremental costs of obtaining a contract

At the end of each reporting period, the Group reviews the carrying amounts of those assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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 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 BOT 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 Stock

Repurchased stocks are recognized under treasury stock (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. TWM's stocks held by its subsidiaries are regarded as treasury stock.

Gains on disposal of treasury stock should be recognized under "capital reserve - treasury stock transactions"; losses on disposal of treasury stock should be offset against existing capital reserves arising from similar types of treasury stock. 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 stock should be calculated using the weighted-average method for the purpose of repurchased stock.

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; or recognized as a book value deduction of the non-current assets and classified as profit or loss within their useful lives through deducting depreciation expenses of the related non-current 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

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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 remeasurement) 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. Remeasurement (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 reclassified 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.

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

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), as well as tax adjustments related to prior years.

   An additional surtax on undistributed earnings, computed according to the ROC Income Tax Act, is recognized in current taxes in the year of approval by a stockholders' 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 basis. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment, and research and development expenditures 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.

Revenue

2018

Where the Group enters into transactions which involve both the provision of telecommunications service bundled with products such as handsets, total consideration received from products and telecommunications service in these arrangements is allocated based on their relative stand-alone selling price. The amount of sales revenue recognized for products is not limited to the amount paid by the customer for the products at the time of purchase. When the amount of sales revenue recognized for products exceeds the amount paid by the customer for the products, the difference is recognized as a contract asset. A contract asset is derecognized and an account receivable is recognized when the amount becomes collectible from the customer subsequently. When the amount of sales revenue recognized for products is less than the amount paid by the customer for the products, the difference is recognized as contract liabilities and the revenue is recognized subsequently when the telecommunications service is provided.

Telecommunications and value-added services revenue

Service revenues from telecommunications services, fixed network services and internet services, are billed at predetermined rates and calculated by the actual volume of voice call and data transfer. Revenues from postpaid users are accrued monthly. Revenues from prepaid users are recognized based on the actual usage. The advanced receipts obtained before services are rendered are recognized as contract liabilities and reclassified as revenues when services are rendered. Interconnection and call transfer fees from other telecommunications companies and carriers are billed and recognized based upon seconds or minutes of traffic processed when the services are provided in accordance with contract terms. The usage revenues and corresponding trade notes and accounts receivable are recognized monthly.

Revenue from sale of goods

Revenues from sale of goods are mainly generated from physical stores, e-commerce platform, television channels and catalog. Revenues are recognized when the goods are transferred or delivered to the customers. Advance receipts obtained before goods are transferred or delivered are recognized as contract liabilities, and reclassified as revenue when the goods are transferred or delivered. When rights of return exist, refund liability and right to recover a product are accrued based on past experience and other relevant factors.

Cable television and broadband services revenue

The Group recognizes advance receipts as contract liabilities initially, with prepayment period of annually, semi-annually, quarterly or monthly, which is reclassified as cable television and broadband service revenue as service becomes rendered, and do not include significant financing component. The Group provides contractual services such as the right of access to cable channels and internet over the duration of the contract, and recognizes revenue over the duration of the contract through the straight-line method.

Other operating income

The Group recognizes advance receipts obtained before contracts are initiated as contract liabilities, and contract liabilities are transferred into revenue after the completion of usage or over the term of the relevant lease. Short-term lease revenues are recognized after the completion of usage. Long-term lease revenues are recognized over the term of the relevant lease through the straight-line method, and do not include significant financing component.

Service revenues generated from contractual agreements are recognized as revenue as services are rendered based on the completion of the contracts and the Group does not have any further obligations. In addition, when the Group is acting as an agent in the transaction, proportional revenue is recognized based on the net amount in accordance with the contractual agreements proportionally.

2017

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.

Telecommunications services, fixed network services and internet services are billed at predetermined rates and calculated by the actual return of voice call and data transfer. Cable TV and broadband services revenues are based on fixed monthly fees.

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.

a. The Group has transferred the significant risks and rewards of ownership to the counterparty;

b. The Group will not be involved in any control activities and will not maintain effective control over the goods sold;

c. The amount can be reliably measured;

d. Economic benefits relevant to the transactions will probably flow to the Group;

e. 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.

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

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.
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.

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 Combinations

Business combinations are accounted for by the acquisition method. Goodwill is measured as an aggregation of the consideration transferred 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 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 assessments, the Group relies on subjective judgment to determine the individual cash flows of a specific group of assets and estimates future gains and losses according to the usage of the assets and relevant business characteristics. Alterations of estimates from any changes in economic conditions or business strategy may lead to significant impairment losses 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 the present value. Significant impairment loss may occur if actual cash flows are less than forecasted.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand and revolving funds	$ 156,900	$ 158,956
Cash in banks	3,603,620	1,604,849
Time deposits	1,588,020	2,458,907
Government bonds with repurchase rights and short-term notes and bills	2,150,170	2,408,832
	$ 7,498,710	$ 6,631,544

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Investments in equity instruments - current	
Domestic investments	
Listed stocks	$ 245,607
Foreign investments	
Unlisted stocks	10,125
	$ 255,732
Investments in equity instruments - non-current	
Domestic investments	
Listed stocks	$ 3,778,949
Unlisted stocks	181,178
Foreign investments	
Limited partnerships	775,385
Unlisted stocks	28,387
	$ 4,763,899

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believed that recognizing short-term fluctuations from these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3 and Note 8 for information relating to their reclassification and comparative information for 2017.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Domestic listed stocks	$ 3,829,968
Beneficiary certificates	845,806
Limited partnerships	785,065
Foreign unlisted stocks	28,269
	$ 5,489,108
Current	$ 1,104,467
Non-current	4,384,641
	$ 5,489,108

9. ACCOUNTS AND NOTES RECEIVABLE, NET

	December 31	
	2018	2017
Notes receivable	$ 175,658	$ 126,321
Accounts receivable	7,820,249	14,969,546
Less: Allowance for impairment loss	(464,049)	(524,842)
	$ 7,531,858	$ 14,571,025

For the Year Ended December 31, 2018

The main credit terms range from 30 to 90 days.

The Group serves a large consumer base for telecommunications business; therefore, the concentration of credit risk is limited. When performing transactions with customers, the Group considers the record of arrears in the past. In addition, the Group may also collect some telecommunication charges in advance to reduce the risk of payment arrears in subsequent periods.

The Group adopted a policy of dealing with counterparties with considerable scale of operations, certain credit ratings and financial conditions for project business. In addition to examining publicly available financial information and its own historical transaction experience, the Group obtains collateral where necessary to mitigate the risk of loss arising from default. The Group continues to monitor the credit exposure and financial and credit conditions of its counterparties, and spreads the total amount of the transactions among qualified counterparties.

In order to mitigate credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure the recoverability of receivables. In addition, the Group reviews the recoverable amount of trade receivables at balance sheet dates to ensure that adequate allowance is provided for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk could be reasonably reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected credit loss provision for receivables. The expected credit losses on trade receivables are estimated using a provision matrix with reference to past default experiences of the customers and an analysis of the customers' current financial positions, as well as forward-looking indicators such as the industrial economic conditions. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision matrix does not distinguish customer segments. As a result, the expected credit loss rate is based on the number of past due days of trade receivables.

The Group writes off a trade receivable when there are evidences indicating that the counterparty is in severe financial difficulty and the trade receivable is considered uncollectible. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Movements of allowance for doubtful notes and accounts receivables by individual and collective assessment were as follows:

December 31, 2018

		Overdue			
	Not Past Due	**1 to 120 days**	**121 to 365 days**	**Over 365 days**	**Total**
Gross carrying amount	$ 7,269,513	$ 458,984	$ 261,723	$ 5,687	$ 7,995,907
Loss allowance (Lifetime ECL)	(56,022)	(154,752)	(247,788)	(5,487)	(464,049)
Amortized cost	$ 7,213,491	$ 304,232	$ 13,935	$ 200	$ 7,531,858

Expected credit loss rate

	Not Past Due and Past Due within 120 Days	**Past Due Over 120 Days**
Telecommunications service	0.02%-85%	65.5%-100%
Retail business and others	below 10%	35%-100%

Movements of the loss allowance of notes and accounts receivable were as follows:

	For the Year Ended December 31, 2018
Beginning balance (IAS 39)	$ 524,842
Effect of retrospective application of IFRS 9	(56,368)
Beginning balance (IFRS 9)	468,474
Add: Provision	424,395
Recovery	11,945
Less: Write-off	(440,765)
Ending balance	$ 464,049

For the Year Ended December 31, 2017

The Group's credit policy in 2017 was as same as the aforementioned credit policy in 2018.

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

	December 31, 2017
Neither past due nor impaired	$ 14,192,631
Past due but not impaired	
Past due within 30 days	174,746
Past due 31-60 days	35,775
Past due 61-120 days	25,785
Past due 121-180 days	10,257
Past due over 180 days	5,510
	$ 14,444,704

Movements of allowance for doubtful receivables by individual and collective assessment were as follows:

	For the Year Ended December 31, 2017
Beginning balance	$ 615,572
Add: Provision	343,796
Recovery	19,776
Less: Write-off	(454,302)
Ending balance	$ 524,842

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

	For the Year Ended December 31	
	2018	2017
Amount of accounts receivable sold	$ 620,643	$ 727,245
Proceeds of the sale of accounts receivable	$ 37,590	$ 44,000

10. INVENTORIES

	December 31	
	2018	2017
Merchandise	$ 3,936,724	$ 4,319,254
Materials for maintenance	8,939	12,555
	$ 3,945,663	$ 4,331,809

For the years ended December 31, 2018 and 2017, the cost of goods sold recognized in consolidated comprehensive income amounted to $52,564,502 thousand and $48,658,404 thousand, respectively, which included the inventory write-down, totaling $29,381 thousand, and the reversal of inventory write-down, totaling $90,352 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Associates, which were not individually material and were accounted for using equity method, were as follows:

	December 31			
	2018		2017	
Investee Company	Amount	% of Ownership	Amount	% of Ownership
Global Home Shopping Co., Ltd. (GHS)	$ 766,529	20.00	$ 781,922	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	385,706	17.70	401,192	17.70
kbro Media Co., Ltd. (kbro Media)	154,847	32.50	178,825	32.50
TVD Shopping Co., Ltd. (TVD Shopping)	119,889	35.00	117,462	35.00
Alliance Digital Tech Co., Ltd. (ADT)	8,636	14.40	14,451	14.40
	$ 1,435,607		$ 1,493,852	

Aggregate information of associates that were not individually material:

	December 31	
	2018	2017
The Group’s share of:		
Profit	$ 27,128	$ 28,942
Other comprehensive income (loss)	(19,517)	(42,395)
Comprehensive income (loss)	$ 7,611	$ (13,453)

a. GHS

In June 2015, one of momo’s subsidiaries acquired 20% equity interests of GHS.

Due to non-participation in GHS’s capital increase in October 2015, momo’s subsidiary’s percentage of ownership interests in GHS decreased to 18%. In January 2016, momo’s subsidiary’s percentage of ownership interests in GHS increased to 20% due to the acquisition of additional 2% equity interests of GHS.

b. TPE

In August 2012, momo acquired 20% equity interests of TPE.

As of December 2013, momo held 17.70% equity interests of TPE due to its not subscribing for new stock issued by TPE and selling part of its stock 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% equity interests of TVD Shopping for THB155,750 thousand.

On November 23, 2017, an extraordinary stockholders’ meeting of TVD Shopping resolved to reduce its capital stock. momo received $31,090 thousand (THB35,000 thousand) as a proportional capital reduction in January 2018.

d. ADT

In November 2013, TWM acquired 19.23% equity interests of ADT.

In 2014, TWM's percentage of ownership interests in ADT decreased to 13.33% as TWM did not subscribe for any newly issued ADT stock. In December 2016, TWM increased its percentage of ownership interests in ADT to 14.40% by subscribing for new stock issued by ADT. TWM still has significant influence on ADT due to having a seat on ADT's board of directors.

12. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

	Proportion of Non-controlling Interests' Ownership and Voting Rights	
	December 31	
Subsidiary	**2018**	**2017**
momo	54.99%	54.99%

For information on the principal place of business and the company's country of registration, see Table 7.

momo and its subsidiaries' summarized financial information below has taken into account the adjustments to acquisition-date fair value, and reflects the amounts before eliminations of intercompany transactions:

	December 31	
	2018	**2017**
Current assets	$ 6,168,249	$ 5,683,832
Non-current assets	13,531,769	13,567,528
Current liabilities	(5,772,994)	(5,643,907)
Non-current liabilities	(281,454)	(266,474)
Equity	$ 13,645,570	$ 13,340,979
Equity attributable to:		
Owners of the parent	$ 9,318,968	$ 9,195,737
Non-controlling interests of momo	4,305,001	4,154,476
Non-controlling interests of momo's subsidiaries	21,601	(9,234)
	$ 13,645,570	$ 13,340,979

	For the Year Ended December 31	
	2018	2017
Operating revenues	$ 42,017,012	$ 33,238,547
Profit	$ 1,444,675	$ 1,262,632
Other comprehensive loss	(49,899)	(54,253)
Comprehensive income	$ 1,394,776	$ 1,208,379
Profit (loss) attributable to:		
Owners of the parent	$ 652,554	$ 571,726
Non-controlling interests of momo	797,086	698,356
Non-controlling interests of momo's subsidiaries	(4,965)	(7,450)
	$ 1,444,675	$ 1,262,632
Comprehensive income (loss) attributable to:		
Owners of the parent	$ 630,001	$ 547,324
Non-controlling interests of momo	769,537	668,548
Non-controlling interests of momo's subsidiaries	(4,762)	(7,493)
	$ 1,394,776	$ 1,208,379
Net cash generated from operating activities	$ 2,085,628	$ 1,407,993
Net cash used in investing activities	(683,882)	(330,976)
Net cash used in financing activities	(1,178,056)	(1,120,759)
Effect of exchange rate changes	(311)	(547)
Net increase (decrease) in cash	$ 223,379	$ (44,289)
Dividends paid to non-controlling interests	$ (616,090)	$ (616,090)

13. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In August 2018, momo and its subsidiaries increased the capital of Asian Crown (BVI) to invest in FGE. Due to non-proportional investment in capital increase (Tong-An Investment Co., Ltd. participated in the capital increase), momo's ownership percentage in Asian Crown (BVI) increased from 76.26% to 81.99%, and HK Fubon Multimedia's ownership percentage in FGE increased from 91.30% to 93.55%. The above transactions did not result in losing control of FGE, and were therefore considered as equity transactions.

Proceeds from capital injection	$ 2,316
Increase in non-controlling interests due to equity transaction involving subsidiaries	(12,663)
Capital surplus - changes in percentage of equity in subsidiaries	$ (10,347)

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Telecommunications Equipment and Machinery	Miscellaneous Equipment	Construction in Progress and Equipment to Be Inspected	Total
Cost						
Balance, January 1, 2018	$ 8,250,857	$ 5,552,706	$ 84,505,063	$ 8,924,688	$ 1,766,195	$ 108,999,509
Additions	4,609	16,415	285,948	458,845	6,331,513	7,097,330
Reclassification	38,391	106,721	6,277,548	377,595	(6,747,100)	53,155
Disposals and retirements	(4,772)	(2,885)	(3,443,813)	(414,183)	(1,391)	(3,867,044)
Effect of exchange rate changes	-	-	(1,702)	(111)	-	(1,813)
Balance, December 31, 2018	$ 8,289,085	$ 5,672,957	$ 87,623,044	$ 9,346,834	$ 1,349,217	$ 112,281,137
Accumulated depreciation and impairment						
Balance, January 1, 2018	$ 83,426	$ 1,369,660	$ 59,427,788	$ 6,515,214	$ -	$ 67,396,088
Depreciation	-	158,304	8,434,614	1,291,105	-	9,884,023
Reversal of Impairment loss	(81,764)	(21,822)	-	-	-	(103,586)
Reclassification	-	(5,065)	(1,061)	-	-	(6,126)
Disposals and retirements	-	(1,095)	(3,338,463)	(404,103)	-	(3,743,661)
Effect of exchange rate changes	-	-	(1,482)	(79)	-	(1,561)
Balance, December 31, 2018	$ 1,662	$ 1,499,982	$ 64,521,396	$ 7,402,137	$ -	$ 73,425,177
Carrying amount, December 31, 2018	$ 8,287,423	$ 4,172,975	$ 23,101,648	$ 1,944,697	$ 1,349,217	$ 38,855,960
Cost						
Balance, January 1, 2017	$ 8,291,858	$ 3,898,840	$ 89,243,221	$ 8,110,323	$ 2,999,439	$ 112,543,681
Additions	-	183,360	724,670	1,052,463	7,948,279	9,908,772
Reclassification	(31,277)	1,479,703	7,149,505	508,691	(9,180,204)	(73,582)
Disposals and retirements	(9,724)	(9,197)	(12,610,309)	(746,709)	(1,319)	(13,377,258)
Effect of exchange rate changes	-	-	(2,024)	(80)	-	(2,104)
Balance, December 31, 2017	$ 8,250,857	$ 5,552,706	$ 84,505,063	$ 8,924,688	$ 1,766,195	$ 108,999,509
Accumulated depreciation and impairment						
Balance, January 1, 2017	$ 83,426	$ 1,272,965	$ 62,639,823	$ 6,132,238	$ -	$ 70,128,452
Depreciation	-	105,757	9,041,912	1,122,265	-	10,269,934
Reclassification	-	(5,646)	-	223	-	(5,423)
Disposals and retirements	-	(3,416)	(12,252,248)	(739,491)	-	(12,995,155)
Effect of exchange rate changes	-	-	(1,699)	(21)	-	(1,720)
Balance, December 31, 2017	$ 83,426	$ 1,369,660	$ 59,427,788	$ 6,515,214	$ -	$ 67,396,088
Carrying amount, December 31, 2017	$ 8,167,431	$ 4,183,046	$ 25,077,275	$ 2,409,474	$ 1,766,195	$ 41,603,421

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	5-15 years
Telecommunications equipment and machinery	2-20 years
Miscellaneous equipment	2-20 years

b. The fair values of parts of TWM's properties (land and buildings) were measured using Level 3 inputs using income approach and comparative approach by HomeBan Appraisers Joint Firm. As the recoverable amount, fair value less cost to sell, is higher than the carrying amount, an impairment loss is reversed to the extent of the impairment losses that have been recognized in previous years. For the year ended December 31, 2018, the reversal of impairment loss of $103,586 thousand was included in other gains and losses in the statement of comprehensive income.

15. INVESTMENT PROPERTIES

The Group leases its properties to others and thus reclassifies them from property, plant and equipment to investment property.

The fair values of investment properties were measured using Level 3 inputs, using income approach, comparative approach, and cost approach by HomeBan Appraisers Joint Firm. As of December 31, 2018 and 2017, the fair values of investment properties were $6,979,581 thousand and $6,720,319 thousand, respectively, and the capitalization rates for the years were 1.32%-5.23% and 0.94%-5.23%, respectively.

The amount of depreciation recognized for the years ended December 31, 2018 and 2017 were $20,056 thousand and $24,333 thousand, respectively.

16. INTANGIBLE ASSETS

	Concessions			Other Intangible Assets					
	Concession Licenses	Service Concessions	Goodwill	Computer Software	Customer Relationships	Operating Rights	Trademarks	Copyrights	Total
Cost									
Balance, January 1, 2018	$ 51,324,375	$ 8,180,078	$ 15,845,930	$ 3,529,068	$ 2,654,089	$ 1,382,000	$ 2,517,866	$ -	$ 85,433,406
Addition	-	-	26,665	301,367	-	-	-	9,822	337,854
Disposals and retirements	(10,281,000)	-	-	(167,204)	-	-	-	-	(10,448,204)
Reclassification	-	-	-	244,680	-	-	-	5,400	250,080
Effect of exchange rate changes	-	-	-	(281)	-	-	-	-	(281)
Balance, December 31, 2018	$ 41,043,375	$ 8,180,078	$ 15,872,595	$ 3,907,630	$ 2,654,089	$ 1,382,000	$ 2,517,866	$ 15,222	$ 75,572,855
Accumulated amortization and impairment									
Balance, January 1, 2018	$ 14,981,287	$ 852,586	$ -	$ 2,851,117	$ 1,374,263	$ -	$ 1,333	$ -	$ 20,060,586
Amortization	2,838,369	178,719	-	489,831	136,400	-	160	13,538	3,657,017
Disposals and retirements	(10,156,382)	-	-	(163,820)	-	-	-	-	(10,320,202)
Effect of exchange rate changes	-	-	-	(191)	-	-	-	-	(191)
Balance, December 31, 2018	$ 7,663,274	$ 1,031,305	$ -	$ 3,176,937	$ 1,510,663	$ -	$ 1,493	$ 13,538	$ 13,397,210
Carrying amount, December 31, 2018	$ 33,380,101	$ 7,148,773	$ 15,872,595	$ 730,693	$ 1,143,426	$ 1,382,000	$ 2,516,373	$ 1,684	$ 62,175,645
Cost									
Balance, January 1, 2017	$ 42,724,375	$ 8,180,078	$ 15,845,930	$ 3,289,415	$ 2,654,089	$ 1,382,000	$ 2,517,866	$ -	$ 76,593,753
Addition	8,600,000	-	-	230,100	-	-	-	-	8,830,100
Disposals and retirements	-	-	-	(249,961)	-	-	-	-	(249,961)
Reclassification	-	-	-	259,854	-	-	-	-	259,854
Effect of exchange rate changes	-	-	-	(340)	-	-	-	-	(340)
Balance, December 31, 2017	$ 51,324,375	$ 8,180,078	$ 15,845,930	$ 3,529,068	$ 2,654,089	$ 1,382,000	$ 2,517,866	$ -	$ 85,433,406
Accumulated amortization and impairment									
Balance, January 1, 2017	$ 12,366,275	$ 673,867	$ -	$ 2,636,599	$ 1,237,863	$ -	$ 1,167	$ -	$ 16,915,771
Amortization	2,615,012	178,719	-	464,922	136,400	-	166	-	3,395,219
Disposals and retirements	-	-	-	(249,961)	-	-	-	-	(249,961)
Reclassification	-	-	-	(223)	-	-	-	-	(223)
Effect of exchange rate changes	-	-	-	(220)	-	-	-	-	(220)
Balance, December 31, 2017	$ 14,981,287	$ 852,586	$ -	$ 2,851,117	$ 1,374,263	$ -	$ 1,333	$ -	$ 20,060,586
Carrying amount, December 31, 2017	$ 36,343,088	$ 7,327,492	$ 15,845,930	$ 677,951	$ 1,279,826	$ 1,382,000	$ 2,516,533	$ -	$ 65,372,820

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

Concession licenses	14-17 years
Service concessions	44-50 years
Computer software	2-10 years
Customer relationships	20 years
Trademarks	10 years
Copyrights	Amortized over the broadcast period

a. Concession licenses

The 3G concession license terminated on December 31, 2018.

On November 15, 2017, TWM acquired the 4G concession license for the 2100 MHz frequency bands in the mobile broadband spectrum and paid $8,600,000 thousand as the bid price.

b. Service concessions

On January 15, 2009, TNH signed a BOT contract with the Department of Cultural Affairs of Taipei City Government. Under the BOT contract, TNH obtained the right to build and operate a development project located at the 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.

c. Customer relationships, operating rights and trademarks

The Group measures the fair value of acquired assets when acquisitions occur, 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 legal useful lives, which can be extended, the Group regards these assets as intangible assets with indefinite useful lives.

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 split the former TFN and its subsidiaries into two cash-generating units, i.e., fixed network service and cable television business. Accordingly, customer relationships 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 relationships are identified as major intangible assets.

3) On July 13, 2011, WMT, one of TWM's wholly-owned subsidiaries, acquired control over 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.

d. Goodwill

The carrying amounts of goodwill allocated to the cash-generating units were as follows:

	December 31	
	2018	2017
Telecommunications 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	5,006,231	4,979,566
	$ 15,872,595	$ 15,845,930

e. Impairment of assets

In conformity with IAS 36 "Impairment of Assets", the Group identified its mobile communication service, fixed network service, cable television business, and 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) Telecommunications 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 the 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 rate plan composition.

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 rates

For the years ended December 31, 2018 and 2017, the discount rates used to calculate the recoverable amount for the asset's cash-generating unit were 5.92% and 6.81%, respectively.

2) Fixed network 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 the changes and growth of business in the telecom industry into consideration, the operating revenues were estimated on the basis of the types of data transmission and the demand for 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 rates

For the years ended December 31, 2018 and 2017, the discount rates were 6.6% and 7.8%, respectively, in calculating the TFN's recoverable amount for the asset's cash-generating unit.

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 the 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 commission costs, 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 rates

The discount rates used to calculate the recoverable amount for the asset's cash-generating unit for each system operator ranged from 5.28% to 6.02% and from 3.86% to 3.90% for the years ended December 31, 2018 and 2017, 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 the changes in the retail business industry and the competitiveness of the market into consideration, the operating revenues were estimated on the basis of the classification and 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 rates

For the years ended December 31, 2018 and 2017, the discount rates in calculating the recoverable amount for the asset's cash-generating unit were 7.21% and 8.86%, 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 such assets for the years ended December 31, 2018 and 2017.

17. OTHER NON-CURRENT ASSETS

	December 31	
	2018	**2017**
Long-term accounts receivable	$ 101,740	$ 4,059,680
Refundable deposits	634,512	608,184
Prepayments for equipment	29,256	61,914
Others	509,687	502,638
	$ 1,275,195	$ 5,232,416

18. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	**2017**
Unsecured loans	$ 10,270,000	$ 9,662,318
Annual interest rate	0.7%-0.96%	0.7%-5.44%

For the information on endorsements and guarantees and pledged deposits, see Note 32 (b) and Table 2.

b. Short-term notes and bills payable

	December 31	
	2018	**2017**
Short-term notes and bills payable	$ 1,500,000	$ 5,600,000
Less: Discounts on short-term notes and bills payable	(1,008)	(4,108)
	$ 1,498,992	$ 5,595,892
Annual interest rate	0.788%-0.798%	0.528%-0.75%

c. Long-term borrowings

	December 31	
	2018	2017
Unsecured loans	$ 8,000,000	$ 19,000,000
Secured loans	3,192,674	3,395,962
Less: Current portion	(2,303,236)	(8,203,289)
	$ 8,889,438	$ 14,192,673
Annual interest rate:		
Unsecured loans	0.75%-1.07%	0.72%-1.26%
Secured loans	2.0337%	2.0337%

1) Unsecured loans

The Group entered into credit facility agreements with a group of banks for mid-term requirements of operating capital, and the interest is paid periodically. Under certain credit agreements, the loans are treated as revolving credit facilities, and the maturity dates of the loans are based on terms under the agreements. In addition, the expiry date of the repayments is in July 2021, and some credit facilities are subject to financial covenants regarding debt ratios and interest protection multiples during the credit facility period.

2) Secured loans

On January 22, 2010, TNH entered into a syndicated loan agreement, with respect to the investment under the aforementioned BOT contract, with a group of banks for which the 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 another credit agreement with Bank of Taiwan for a $3,400,000 thousand credit amount and a $65,000 thousand guarantee amount on September 5, 2017. The agreement started from the date of the first drawdown of the loan and would last for 7 years with interest payments made on a monthly basis. 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 31.

19. BONDS PAYABLE

	December 31	
	2018	2017
3rd domestic unsecured straight corporate bonds	$ 4,499,680	$ 8,998,958
4th domestic unsecured straight corporate bonds	-	2,899,901
5th domestic unsecured straight corporate bonds	14,986,357	-
3rd domestic unsecured convertible bonds	9,432,780	9,650,076
Less: Current portion	(4,499,680)	(7,399,528)
	$ 24,419,137	$ 14,149,407

a. 3rd domestic unsecured straight corporate bonds

On December 20, 2012, TWM issued $9,000,000 thousand of seven-year 3rd domestic unsecured bonds; each bond had 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 in equal installments, i.e., $4,500,000 thousand. As of December 31, 2018, the amount of unamortized bond issue cost was $320 thousand. The trustee of bond holders is Hua Nan Commercial Bank.

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

Year	**Amount**
2019	$ 4,500,000

b. 4th domestic unsecured straight corporate bonds

On April 25, 2013, TWM issued $5,800,000 thousand of five-year 4th domestic unsecured straight corporate 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. The trustee of bond holders is Hua Nan Commercial Bank.

The above-mentioned corporate bonds were fully liquidated in April 2018.

c. 5th domestic unsecured straight corporate bonds

On April 20, 2018, TWM issued 5th domestic unsecured straight corporate bonds. The bonds included five-year and seven-year bonds, with the principal amount of $6,000,000 thousand and $9,000,000 thousand, each having a face value of $10,000 thousand, and coupon rates of 0.848% and 1% per annum, respectively, with simple interest due annually. Repayment will be made in full at maturity. As of December 31, 2018, the amount of unamortized bond issue cost was $13,643 thousand. The trustee of bond holders is Bank of Taiwan.

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

Year	**Amount**
2023	$ 6,000,000
2025	9,000,000
	$ 15,000,000

d. 3rd domestic unsecured convertible bonds

On November 22, 2016, TWM issued its 3rd domestic five-year unsecured zero-coupon convertible bonds with an aggregate principal amount of $10,000,000 thousand and a par value of $100 thousand per bond certificate. The conversion price is set initially at $116.1 per share. The conversion price should be adjusted according to the prescribed formula and has been adjusted to $104.7 per share since July 16, 2018. Except for the book closure period, bondholders are entitled to convert bonds into TWM's common stock from December 23, 2016 to November 22, 2021. The trustee of bond holders is Bank of Taiwan.

If the closing price of TWM's common stock continues being at least 130% of the conversion price then in effect for 30 consecutive trading days or the aggregate outstanding balance of bonds payable is less than 10% of the original issuance amount, TWM has the right to redeem the outstanding bonds payable at par value in cash during the period from one month after the issuance date to the date 40 days prior to the maturity date.

At the end of the third year from the bond issuance date, bondholders have the right to request TWM to redeem the convertible bonds at par value in cash.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 0.9149% per annum on initial recognition. As of December 31, 2018, the amount of unamortized bond discount was $253,020 thousand.

Proceeds of the issuance (minus transaction costs $10,870 thousand)	$ 9,989,130
Equity component	(400,564)
Financial liabilities	(35,961)
Liability component at the date of issuance	9,552,605
Interest charged at an effective interest rate	97,471
Liability component on December 31, 2017	9,650,076
Interest charged at an effective interest rate	88,288
Convertible bonds converted into common stock	(305,584)
Liability component on December 31, 2018	$ 9,432,780

As of December 31, 2018, the bondholders had requested to convert the bonds at face value of $314,200 thousand.

20. PROVISIONS

	December 31	
	2018	2017
Restoration	$ 1,184,823	$ 1,208,093
Decommissioning	268,536	213,372
Warranties	67,929	128,412
	$ 1,521,288	$ 1,549,877
Current	$ 120,334	$ 178,008
Non-current	1,400,954	1,371,869
	$ 1,521,288	$ 1,549,877

	Restoration	Decom-missioning	Warranties	Total
Balance, January 1, 2018	$ 1,208,093	$ 213,372	$ 128,412	$ 1,549,877
Provision	59,291	48,961	92,463	200,715
Payment/Reversal	(88,115)	-	(152,946)	(241,061)
Unwinding of discount	5,554	6,203	-	11,757
Balance, December 31, 2018	$ 1,184,823	$ 268,536	$ 67,929	$ 1,521,288
Balance, January 1, 2017	$ 1,186,572	$ 160,923	$ 161,066	$ 1,508,561
Provision	71,954	47,720	157,602	277,276
Payment/Reversal	(57,088)	(108)	(190,256)	(247,452)
Unwinding of discount	6,655	4,837	-	11,492
Balance, December 31, 2017	$ 1,208,093	$ 213,372	$ 128,412	$ 1,549,877

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Domestic firms of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed and defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The employees of the Group's subsidiaries in other countries are participants of state-managed retirement benefit plans operated by local governments. In accordance with the above provision, the Group's contribution to the pension plan amounted to $307,042 thousand and $296,209 thousand for the years ended December 31, 2018 and 2017, respectively.

b. Defined benefit plans

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 "Plans"). The Plan provides defined pension benefits for the Group's certain qualified employees, specified under the Labor Standards Law, and such benefits are determined based on an employee's years of service and average monthly salary for six-month period prior to the date of 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 Funds are operated and managed by the government's designated authorities; as such, the Group does not have any right to participate in the operation of the Funds.

The defined benefit plans were as follows:

	December 31	
	2018	**2017**
Present value of defined benefit obligations	$ 1,415,592	$ 1,284,048
Fair value of plan assets	(904,712)	(841,004)
Net defined benefit liabilities	$ 510,880	$ 443,044

The movements in present value of defined benefit obligations for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	**2017**
Balance, January 1	$ 1,284,048	$ 1,182,705
Current service costs	2,109	1,995
Past service costs	165	-
Interest costs	18,651	17,692
Actuarial loss - changes in demographic assumptions	90,641	56,695
Actuarial loss - changes in financial assumptions	48,477	6,759
Actuarial loss - experience adjustments	2,934	30,683
Benefits paid from plan assets	(31,433)	(12,481)
Balance, December 31	$ 1,415,592	$ 1,284,048

The movements in the fair value of the plan assets for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Balance, January 1	$ 841,004	$ 813,383
Net interest income	12,886	12,413
Return on plan assets (excluding amounts included in net interest)	21,010	(4,416)
Contributions from the employer	61,245	32,105
Benefits paid from plan assets	(31,433)	(12,481)
Balance, December 31	$ 904,712	$ 841,004

The expenses recognized in profit or loss for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Current service costs	$ 2,109	$ 1,995
Past service costs	165	-
Interest costs	18,651	17,692
Net interest income	(12,886)	(12,413)
	$ 8,039	$ 7,274

The pre-tax remeasurements recognized in other comprehensive income (loss) for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Return on plan assets (excluding amounts included in net interest)	$ (21,010)	$ 4,416
Actuarial loss - changes in demographic assumptions	90,641	56,695
Actuarial loss - changes in financial assumptions	48,477	6,759
Actuarial loss - experience adjustments	2,934	30,683
	$ 121,042	$ 98,553

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 actuarial present values of the defined benefit obligation were carried out by the chartered actuary.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	December 31	
	2018	**2017**
Discount rate	1%-1.375%	1.25%-1.625%
Long-term average adjustment rate of salary	2.5%-3%	2.5%-3%

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	
	2018	**2017**
Discount rate		
0.25% increase	$ (50,155)	$ (46,698)
0.25% decrease	$ 52,445	$ 48,878
Long-term average adjustment rate of salary		
0.25% increase	$ 50,979	$ 47,655
0.25% decrease	$ (49,028)	$ (45,780)

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	
	2018	**2017**
The expected contributions to the Plan for the following year	$ 32,752	$ 33,293
The average duration of the defined benefit obligation	12-18.3 years	12-18.7 years

22. EQUITY

a. Common stock

As of December 31, 2018 and 2017, the TWM’s capital authorized was $60,000,000 thousand and capital issued and outstanding was $34,208,519 thousand and $34,208,328 thousand, respectively. The issued capital was divided into 3,420,852 thousand shares and 3,420,833 thousand shares, respectively, which were all common stocks, at a par value of $10.

As of December 31, 2018, the bondholders of 3rd domestic unsecured convertible bonds had requested to convert the bonds into 3,001 thousand common stocks. TWM recognized 2,982 thousand of common stocks as capital collected in advance, totaling $29,819 thousand. TWM would complete the amendment registration after the issuance of new stocks on the record date in accordance with the regulations.

b. Capital surplus

	December 31	
	2018	2017
Additional paid-in capital from convertible corporate bonds	$ 6,363,714	$ 7,708,764
Treasury stock transactions	5,159,704	5,159,704
Difference between consideration and carrying amount arising from the disposal of subsidiaries' stock	85,965	85,965
Changes in equity of subsidiaries	501,215	511,562
Convertible bonds payable options	387,979	400,564
Changes in equity of associates accounted for using equity method	48,147	39,767
Others	33,968	32,952
	$ 12,580,692	$ 13,939,278

Under the ROC 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' stock acquired or disposed of, and treasury stock 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, changes in equity of associates accounted for using equity method and the overdue unclaimed dividends could also be applied to make-up accumulated deficit, if any. And the other capital surplus cannot be used by any means.

c. Appropriation of earnings and dividend policy

In accordance with the policy, TWM's profits earned in a fiscal year shall first be set aside to pay the applicable taxes, offset losses, and set aside for legal reserve pursuant to laws and regulations, unless the legal reserve has reached TWM's total paid-up capital. The remaining profits shall be set aside for special reserve in accordance with laws, regulations, or business requirements. Any further remaining profits plus unappropriated earnings shall be distributed in accordance with the proposal submitted by the Board of Directors for approval at a stockholders' meeting.

TWM adopts a dividend distribution policy whereby only surplus profits of TWM shall be distributed to stockholders. 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 of Directors, who shall, upon such approval, recommend the same to the stockholders for approval by resolution at the stockholders' meetings.

The above appropriation of earnings should be resolved in the annual general stockholders' meeting ("AGM") held in the following year.

According to the ROC Company Act, a company shall first set aside its earning for legal reserve until it equals the paid-in capital. The legal reserve may offset losses. After offsetting any deficit, the legal reserve may be transferred to capital and distributed as stock dividends or cash dividends for the amount in excess of 25% of the paid-in capital pursuant to a resolution adopted in the stockholders' 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.

The 2017 and 2016 earnings appropriations having been resolved in the AGM on June 12, 2018 and June 14, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2017	**For Fiscal Year 2016**	**For Fiscal Year 2017**	**For Fiscal Year 2016**
Appropriation of legal reserve	$ 1,419,218	$ 1,532,018		
Reversal from special reserve	(327,331)	(483,920)		
Cash dividends to stockholders	13,610,406	14,176,599	$ 5	$ 5.208

The cash dividends of $5 and $5.208 per share mentioned above have been distributed from unappropriated earnings for 2017 and 2016, respectively. In addition, the AGM resolved another cash appropriation from the capital surplus generated from the excess of the issuance price over the par value of capital stock amounting to $1,633,249 thousand and $1,067,056 thousand, that is, $0.6 and $0.392 per share. Total appropriations distributed were $5.6 per share for 2017 and 2016.

TWM's 2018 earnings appropriations will be proposed by the 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 Financial Assets at FVTOCI**	**Unrealized Gain (Loss) on Available-for-sale Financial Assets**	**Total**
Balance, January 1, 2018	$ (16,499)	$ -	$ (346,204)	$ (362,703)
Effect of retrospective application of IFRS 9	-	(281,785)	346,204	64,419
Adjusted balance, January 1, 2018	(16,499)	(281,785)	-	(298,284)
Exchange differences on translation	(7,235)	-	-	(7,235)
Changes in fair value of financial assets at FVTOCI	-	226,082	-	226,082
Changes in other comprehensive income (loss) of associates accounted for using equity method	(664)	(14,247)	-	(14,911)
Reclassification of loss on disposal of equity instruments to retained earnings	-	(1,825)	-	(1,825)
Income tax effect	-	792	-	792
Balance, December 31, 2018	$ (24,398)	$ (70,983)	$ -	$ (95,381)

(Continued)

	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total
Balance, January 1, 2017	$ (9,133)	$ -	$ (680,901)	$ (690,034)
Exchange differences on translation	(7,219)	-	-	(7,219)
Changes in fair value of available-for-sale financial assets	-	-	372,471	372,471
Changes in other comprehensive income (loss) of associates accounted for using equity method	(147)	-	(37,774)	(37,921)
Balance, December 31, 2017	$ (16,499)	$ -	$ (346,204)	$ (362,703)

(Concluded)

e. Treasury stock

As of December 31, 2018 and 2017, TWM's stocks held for the investment purposes by TCCI, TUI and TID, which are all wholly-owned by TWM, were 698,752 thousand shares, and the market values were $74,417,046 thousand and $75,115,797 thousand, respectively. Since TWM's stocks held by its subsidiaries are regarded as treasury stock, TWM recognized $29,717,344 thousand as treasury stock. For those treasury stock 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 and exercise the voting rights over such treasury stock.

f. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Beginning balance	$ 5,879,738	$ 5,769,645
Effect of retrospective application	(39)	-
Adjusted beginning balance	5,879,699	5,769,645
Portion attributable to non-controlling interests		
Profit	843,596	756,611
Exchange differences on translation	(6,879)	(5,318)
Unrealized gain (loss) on financial asset at FVTOCI	(16,157)	-
Unrealized gain (loss) on available-for-sale financial assets	-	(20,446)
Remeasurements from defined benefit plans	38	137
Share of other comprehensive income (loss) of associates accounted for using equity method	(4,344)	(4,244)
Changes in ownership interests in subsidiaries	12,663	-
Changes in equity of associates accounted for using equity method	9,717	-
Cash dividends paid to non-controlling interests of subsidiaries	(616,452)	(616,647)
Increase in non-controlling interests	10,295	-
Ending balance	$ 6,112,176	$ 5,879,738

23. OPERATING REVENUES

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Telecommunications and value-added services	$ 53,320,270	$ 57,877,419
Sales revenue	58,023,078	52,221,069
Cable TV and broadband services	6,193,842	6,233,601
Other operating revenues	1,195,138	839,018
	$ 118,732,328	$ 117,171,107

a. Contract information

Please refer to Note 4 and Note 36.

b. Contract balances

	December 31, 2018
Contract assets	
Bundle sales	$ 8,755,126
Less: Allowance for impairment loss	(74,250)
	$ 8,680,876
Current	$ 5,472,357
Non-current	3,208,519
	$ 8,680,876

For accounts and notes receivable, please refer to Note 9.

	December 31, 2018
Contract liabilities	
Telecommunications and value-added services	$ 1,235,446
Sales of goods	141,343
Cable TV and broadband services	694,228
Others	15,920
	$ 2,086,937
Current	$ 2,030,793
Non-current	56,144
	$ 2,086,937

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Group’s performance and the respective customer’s payment. Other significant changes are as follows:

	December 31, 2018
Contract assets	
Transfers of beginning balance to receivables	$ (6,242,827)

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected loss provision for the contract assets. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables can be applied to the contract assets. As of December 31, 2018, the gross carrying amount of the contract assets was $8,755,126 thousand, the expected credit loss rate was 0.02%-0.85%, and the allowance for impairment loss was $74,250 thousand.

The movements of the allowance of contract assets are as follows:

	For the Year Ended December 31, 2018
Beginning balance (IAS 39)	$ -
Effect of retrospective application of IFRS 9	90,593
Beginning balance (IFRS 9)	90,593
Less: Recovery	(16,343)
Ending balance	$ 74,250

Revenue of the reporting period recognized from the beginning contract liabilities is as follows:

	For the Year Ended December 31, 2018
Contract liabilities	
Telecommunications and value-added services	$ 1,722,803
Sales of goods	49,667
Cable TV and broadband services	777,337
Others	13,082
	$ 2,562,889

c. Partially completed contracts

The transaction prices allocated to the performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as follows:

	Telecommunications and Value-added Services	Sales of Goods	Cable TV and Broadband Services	Others	Total
December 31, 2018					
- in 2019	$ 18,964,572	$ 141,017	$ 704,066	$ 15,920	$ 19,825,575
- in 2020	7,190,954	191	19,832	-	7,210,977
- after 2020	767,418	135	237	-	767,790
	$ 26,922,944	$ 141,343	$ 724,135	$ 15,920	$ 27,804,342

The above information does not include contracts with expected durations which are equal to or less than one year.

d. Incremental costs of obtaining a contract

	December 31, 2018
Incremental costs of obtaining a contract - non-current	$ 2,946,282

The Group considered the past experience and the default clauses in the sale contracts and believed the commission paid for obtaining a contract is wholly recoverable. Amortization recognized for the year ended December 31, 2018 was $3,394,116 thousand.

24. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	$ 61,633	$ 164,036
Dividend income	83,164	72,407
Other income	82,808	159,625
	$ 227,605	$ 396,068

b. Other gains and losses, net

	For the Year Ended December 31	
	2018	2017
Loss on disposal of property, plant and equipment, net	$ (80,282)	$ (350,074)
Loss on disposal of intangible assets, net	(128,002)	-
Valuation loss on financial assets at FVTPL	(27,806)	(39,319)
Valuation gain on financial liabilities at FVTPL	8,061	32,000
Impairment losses on financial assets at cost	-	(6,180)
Reversal of impairment loss on property, plant and equipment	103,586	-
Gain (loss) on foreign exchange	4,007	(90,793)
Gain on disposal of investments	-	3,000
Estimated loss from lawsuits	-	(765,779)
Others	(5,281)	(35,469)
	$ (125,717)	$ (1,252,614)

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest expense		
Bank loans	$ 236,880	$ 312,699
Corporate bonds	319,895	258,960
Others	51,087	64,923
	607,862	636,582
Less: Capitalized interest	(6,021)	(3,057)
	$ 601,841	$ 633,525
Capitalization rates	1.34%	1.34%

25. INCOME TAX

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2018	2017
Current income tax expense		
Current period	$ 3,085,799	$ 2,928,230
Prior years' adjustment	(81,796)	(57,806)
Others	(42,094)	-
	2,961,909	2,870,424
Deferred income tax expense		
Temporary differences	239,578	(187,928)
Changes in tax rates	1,962	-
	241,540	(187,928)
Income tax expense	$ 3,203,449	$ 2,682,496

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

	For the Year Ended December 31	
	2018	2017
Profit before tax	$ 17,689,217	$ 17,631,283
Income tax expense at domestic statutory tax rate (20% and 17% for the years ended 2018 and 2017, respectively)	$ 3,537,843	$ 2,997,318
Effect of different tax rates on the Group entities	(2,231)	352
Adjustment items in determining taxable profit	(316,909)	101,440
Temporary differences	239,578	(187,928)
Changes in tax rates	1,962	-
Investment tax credits	(101,772)	(219,560)
Prior years' other adjustments	(81,796)	(2,916)
Loss carryforwards	(31,195)	(6,545)
Land value increment tax	63	335
Others	(42,094)	-
	$ 3,203,449	$ 2,682,496

The corporate income tax rate was adjusted from 17% to 20% after the amendment of the Income Tax Law in the ROC on January 1, 2018. The effect of such tax rate change on deferred income tax was recognized in profit or loss. In addition, the tax rate applicable to the undistributed portion of earnings to be made in 2018 and thereafter will be reduced from 10% to 5%. Tax rates used by the group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

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

	For the Year Ended December 31	
	2018	2017
Deferred income tax income		
Unrealized gain (loss) on financial assets at FVTOCI	$ 792	$ -
Changes in tax rates - Remeasurements from defined benefit plans	18,302	-
Remeasurements from defined benefit plans	24,208	16,754
	$ 43,302	$ 16,754

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, 2018 and 2017, were as follows:

	Property, Plant and Equipment	Defined Benefit Plans	Investment Credits	Others	Total
Deferred tax assets					
Balance, January 1, 2018	$ 442,595	$ 79,596	$ -	$ 298,053	$ 820,244
Effect of application of IFRS 9	-	-	-	(2,960)	(2,960)
Recognized in profit or loss	(87,714)	(14,897)	18,558	27,951	(56,102)
Recognized in other comprehensive income (loss)	-	42,510	-	2,829	45,339
Balance, December 31, 2018	$ 354,881	$ 107,209	$ 18,558	$ 325,873	$ 806,521
Balance, January 1, 2017	$ 528,619	$ 81,397	$ -	$ 98,640	$ 708,656
Recognized in profit or loss	(86,024)	(17,110)	-	199,413	96,279
Recognized in other comprehensive income (loss)	-	15,309	-	-	15,309
Balance, December 31, 2017	$ 442,595	$ 79,596	$ -	$ 298,053	$ 820,244

	Accounts Receivable	Intangible Assets	Others	Total
Deferred tax liabilities				
Balance, January 1, 2018	$ -	$ 712,001	$ 17,785	$ 729,786
Recognized in profit or loss	-	191,334	(5,896)	185,438
Recognized in other comprehensive income (loss)	-	-	2,037	2,037
Balance, December 31, 2018	$ -	$ 903,335	$ 13,926	$ 917,261
Balance, January 1, 2017	$ 132,903	$ 656,167	$ 33,810	$ 822,880
Recognized in profit or loss	(132,903)	55,834	(14,580)	(91,649)
Recognized in other comprehensive income (loss)	-	-	(1,445)	(1,445)
Balance, December 31, 2017	$ -	$ 712,001	$ 17,785	$ 729,786

2) Unrecognized deferred tax assets items

	December 31	
	2018	2017
Loss carryforwards	$ 507,257	$ 776,131

As of December 31, 2018, the Group had not recognized the prior years' loss carryforwards, totaling $507,257 thousand, as deferred tax assets. The expiry years are from 2019 to 2028.

d. Income tax examinations

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

Company	Year
TWM	2015
TCC	2016
WMT	2016
TNH	2016
TFN	2015
TT&T	2017
TCCI	2017
TDC	2017
TDS	2017
TFNM	2016
GFMT	2016
GWMT	2016
WTVB	2016
TUI	2016
TID	2016
TKT	2017
YJCTV	2016
MCTV	2016
PCTV	2016
UCTV	2016
GCTV	2016
momo	2016
FLI	2016
FPI	2016
FST	2016
Bebe Poshe	2017

26. EARNINGS PER SHARE

	For the Year Ended December 31, 2018		
	Amount After Income Tax	**Weighted-average Number of Common Stock**	**EPS**
Basic EPS			
Profit attributable to owners of the parent	$ 13,642,172	2,722,519	$ 5.01
Effect of potential dilutive common stock:			
Employees' compensation	-	4,405	
Convertible bonds	80,227	95,073	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	$ 13,722,399	2,821,997	$ 4.86

	For the Year Ended December 31, 2017		
	Amount After Income Tax	Weighted-average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of the parent	$ 14,192,176	2,722,081	$ 5.21
Effect of potential dilutive common stock:			
Employees' compensation	-	4,376	
Convertible bonds	55,888	90,662	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	$ 14,248,064	2,817,119	$ 5.06

Since TWM has the discretion to settle the employees' compensation by cash or stock, TWM should presume that the entire amount of the compensation will be settled in stock, and the potential stock dilution should be included in the weighted-average number of stock outstanding used in the calculation of diluted EPS, provided there is a dilutive effect. Such dilutive effect of the potential stock needs to be included in the calculation of diluted EPS until employees' compensation is approved in the following year.

27. OPERATING LEASES

a. Lessee

Non-cancellable rental payables of operating leases are as follows:

	December 31	
	2018	2017
Less than one year	$ 3,440,873	$ 3,190,293
Between one and five years	5,876,088	5,301,622
More than five years	41,277	71,922
	$ 9,358,238	$ 8,563,837

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

The payments of leases and subleases were as follows:

	For the Year Ended December 31	
	2018	2017
Minimum lease payments	$ 3,789,325	$ 3,726,747
Receipts from subleases	(10,947)	(7,087)
	$ 3,778,378	$ 3,719,660

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	
	2018	2017
Less than one year	$ 152,807	$ 145,965
Between one and five years	502,272	546,723
More than five years	79,298	157,515
	$ 734,377	$ 850,203

28. 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 its normal course of business for the future.

29. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Financial assets at FVTPL	$ 81,474	$ -
Financial assets at FVTOCI (including current and non-current portions)	5,019,631	-
Available-for-sale financial assets (including current and non-current portions)	-	5,489,108
Financial assets at cost	-	171,221
Financial assets measured at amortized cost (including current and non-current portions) (Note 1)	18,678,535	-
Loans and receivables (including current and non-current portions) (Note 2)	-	31,158,221
Total	$ 23,779,640	$ 36,818,550
Financial liabilities		
Financial liabilities measured at amortized cost (including current and non-current portions) (Note 3)	$ 69,992,701	$ 80,206,990
Financial liabilities at FVTPL	1,861	9,961
Total	$ 69,994,562	$ 80,216,951

Note 1: The balances comprise cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets and refundable deposits.

Note 2: The balances comprise cash and cash equivalents, notes and accounts receivable, other receivables, debt instrument investments without active market, other financial assets and refundable deposits.

Note 3: The balances comprise short-term borrowings, short-term notes and bills payable, payables, bonds payable, long-term borrowings and guarantee deposits.

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			
	2018		2017	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial liabilities				
Bonds payable (including current portion)	$ 28,918,817	$ 29,495,234	$ 21,548,935	$ 22,151,528

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 of financial instruments that are measured at fair value on a recurring basis

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).

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Beneficiary certificates	$ 81,474	$ -	$ -	$ 81,474
Financial assets at FVTOCI				
Equity instruments				
Domestic listed stocks	$ 4,024,556	$ -	$ -	$ 4,024,556
Domestic unlisted stocks	-	-	181,178	181,178
Limited partnerships	-	-	775,385	775,385
Foreign unlisted stocks	-	10,125	28,387	38,512
	$ 4,024,556	$ 10,125	$ 984,950	$ 5,019,631
Financial liabilities at FVTPL	$ -	$ 1,861	$ -	$ 1,861

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed stocks	$ 3,829,968	$ -	$ -	$ 3,829,968
Beneficiary certificates	845,806	-	-	845,806
Limited partnerships	-	-	785,065	785,065
Foreign unlisted stocks	-	28,269	-	28,269
	$ 4,675,774	$ 28,269	$ 785,065	$ 5,489,108
Financial liabilities at FVTPL	$ -	$ 9,961	$ -	$ 9,961

There was no transfer between the fair value measurements of Levels 1 and 2 for the year ended December 31, 2018 and 2017.

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 funds of publicly traded companies).

b) Valuation techniques and inputs applied for Level 2 fair value measurement:

   For foreign unlisted stocks, the Group takes price fluctuations and risk-free rates into consideration by using the market comparison approach. Call and put options of convertible bonds that adopted binomial tree valuation model were evaluated by the observable closing price of the stocks, volatility, risk-free interest rate, risk discount rate, and liquidity risk at the balance sheet date.

c) Valuation techniques and inputs applied for Level 3 fair value measurement:

i. Hybrid instruments

Convertible notes were redeemed at maturity in May 2018.

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. As of December 31, 2017, the historical volatility of stock prices was estimated at 45.1%, and the liquidity discount rate was estimated at 10.53%. 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.

ii. Equity instruments

The significant and unobservable input parameter for assessing the unlisted stocks and limited partnerships held by the Group mainly relates to liquidity discount rate. The evaluation of fair value of unlisted stocks is mainly referenced to the same type of companies through the market approach. The fair value of limited partnerships investments was evaluated through the market approach and income approach. The evaluation and assumptions are mainly referenced to related information of comparable market targets and estimated future cash flows. The liquidity discount rate was estimated at 28% and 30% as of December 31, 2018 and 2017, respectively.

3) Reconciliation of Level 3 fair value measurements of financial instruments

For the Year Ended December 31, 2018

	Financial Assets at FVTPL - Convertible Notes	Financial Assets at FVTOCI - Equity Instruments
Balance at January 1, 2018	$ 490,931	$ 956,286
Recognized in profit or loss (gain on financial assets at FVTPL)	261	-
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	33,482
Redeem	(491,192)	-
Disposal	-	(1,669)
Capital return	-	(3,149)
Balance at December 31, 2018	$ -	$ 984,950

For the Year Ended December 31, 2017

	Financial Assets at FVTPL - Derivative Instruments	Available-for-sale Financial Assets - Equity Instruments
Balance at January 1, 2017	$ 42,030	$ -
Purchases	-	810,865
Recognized in profit or loss		
Loss on financial assets at FVTPL	(39,319)	-
Unrealized loss on foreign currency exchange	(2,711)	-
Recognized in other comprehensive income		
Unrealized loss on available-for-sale financial assets	-	(25,800)
Balance at December 31, 2017	$ -	$ 785,065

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 assesses the potential risks that the Group may face and uses this information as a reference for determining its annual audit plan. The Internal Audit Office reports the results and findings of performing such procedures, and follows up the discrepancies, if any, for actions.

3) Credit risk

Credit risk refers to the risk that a counterparty would default on its contractual obligations resulting in financial loss. The maximum credit exposure of the aforementioned financial instruments is equal to their carrying amounts recognized in consolidated balance sheet as of the balance sheet date. The Group has large trade receivables outstanding with its customers. A substantial majority of the Group's outstanding trade receivables are not covered by collateral or credit insurance. The Group has implemented ongoing measures including enhancing credit assessments and strengthening overall risk management to reduce its credit risk. While the Group has procedures to monitor and limit exposure to credit risk on trade receivables, there can be no assurance such procedures will effectively limit its credit risk and avoid losses. This risk is heightened during periods when economic conditions worsen.

As the Group serves a large number of unrelated consumers, the concentration of credit risk was limited.

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 manages and maintains sufficient level of capital to ensure the requirements of paying estimated operating expenditures, including financial obligations on each contract. The Group also monitors its bank credit facilities to ensure that the provisions of loan contracts are all complied with. As of December 31, 2018 and 2017, the Group had unused bank facilities of $58,376,758 thousand and $52,113,192 thousand, respectively.

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.

	Contractual Cash Flows	**Within 1 Year**	**1-5 Years**	**More Than 5 Years**
December 31, 2018				
Unsecured loans	$ 18,370,540	$ 12,336,530	$ 6,034,010	$ -
Secured loans	3,503,401	366,594	1,020,143	2,116,664
Short-term notes and bills payable	1,500,000	1,500,000	-	-
Bonds payable	30,130,500	4,701,180	16,249,320	9,180,000
	$ 53,504,441	$ 18,904,304	$ 23,303,473	$ 11,296,664
December 31, 2017				
Unsecured loans	$ 28,838,139	$ 17,821,716	$ 11,016,423	$ -
Secured loans	3,786,006	271,590	1,044,872	2,469,544
Short-term notes and bills payable	5,600,000	5,600,000	-	-
Bonds payable	22,118,310	7,558,010	14,560,300	-
	$ 60,342,455	$ 31,251,316	$ 26,621,595	$ 2,469,544

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 carefully evaluates each financial instrument transaction involving any risk such as exchange rate risk, interest rate risk, and market price risk in order to decrease potential influences caused by market uncertainty.

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 USD and EUR, etc.; thus, the Group purchases currency at the spot rate based on the conservative principle in order to hedge exchange rate risk.

The Group’s foreign currency assets and liabilities exposed to significant exchange rate risk were as follows:

	December 31, 2018		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Foreign currency assets			
Monetary items			
RMB	$ 17,207	4.464	$ 76,812
USD	37,052	30.79	1,140,858
EUR	609	35.05	21,323
Non-monetary items			
RMB	171,713	4.464	766,529
USD	26,105	30.79	803,772
HKD	2,576	3.93	10,125
THB	125,776	0.953	119,889
Foreign currency liabilities			
Monetary items			
USD	11,702	30.79	360,320
EUR	19	35.05	677

	December 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Foreign currency assets</u>			
Monetary items			
RMB	$ 10,805	4.56	$ 49,273
USD	32,668	29.77	972,530
HKD	125,086	3.808	476,329
EUR	654	35.55	23,265
THB	33,711	0.918	30,933
Non-monetary items			
RMB	171,474	4.56	781,922
USD	26,371	29.77	785,065
HKD	7,424	3.808	28,269
THB	128,011	0.918	117,462
<u>Foreign currency liabilities</u>			
Monetary items			
RMB	4,444	4.56	20,265
USD	13,575	29.77	404,123
EUR	24	35.55	855

The Group's foreign exchange gains and losses, including realized and unrealized, for the years ended December 31, 2018 and 2017, were net exchange gain of $4,007 thousand and net exchange loss of $90,793 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.

<u>Sensitivity analysis</u>

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts denominated in monetary items of foreign currencies. If there had been an unfavorable 5% movement in the levels of foreign exchanges against NTD at the end of the reporting period (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 decreased by $43,900 thousand and $56,354 thousand for the years ended December 31, 2018 and 2017, 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.

The carrying amounts of the Group's financial assets and financial liabilities exposed to interest rate risk were as follows:

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 4,290,492	$ 7,657,551
Financial liabilities	33,285,029	31,194,752
Cash flow interest rate risk		
Financial assets	3,750,159	1,714,113
Financial liabilities	9,162,674	18,358,279

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 50 basis points (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 decreased by $27,063 thousand and $83,221 thousand for the years ended December 31, 2018 and 2017, respectively.

c) Other market price risk

The exposure to equity price risk is mainly due to holding of stocks and beneficiary certificates. The Group manages the risk by maintaining portfolios of investments with different risks and by continuously monitoring the future developments and market trends of investment targets.

Sensitivity analysis

If the prices of equity instruments had decreased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), profit would have decreased by $4,074 thousand since the fair value of financial assets at FVTPL decreased for the year ended December 31, 2018; other comprehensive income would have decreased by $250,982 thousand since the fair value of financial assets at FVTOCI decreased for the nine months ended December 31, 2018; and other comprehensive income would have decreased by $274,455 thousand since the fair value of available-for-sale financial assets decreased for the year ended December 31, 2017.

30. RELATED-PARTY TRANSACTIONS

a. Parent company and ultimate controlling party

TWM is the ultimate controlling party of the Group.

b. Related party name and nature of relationship

Related Party	Nature of Relationship
GHS	Associates
TPE	Associates
kbro Media	Associates
TVD Shopping	Associates
ADT	Associates
Beijing Global JiuSha Media Technology Co., Ltd.	Associates (subsidiary of GHS)
Beijing YueShih JiuSha Media Technology Co., Ltd.	Associates (subsidiary of GHS)
Beijing Global Zhiqun Trading Co., Ltd.	Associates (subsidiary of GHS)
Beijing Pelican Express Co., Ltd.	Associates (subsidiary of TPE)
Good Image Co., Ltd.	Associates (subsidiary of kbro Media)
Fubon Life Insurance Co., Ltd. (Fubon Life)	Other related parties
Fubon Insurance Co., Ltd. (Fubon Ins.)	Other related parties
Fubon Securities Investment Trust Co., Ltd. (FSIT)	Other related parties
Fubon Sports & Entertainment Co., Ltd.	Other related parties
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Other related parties
Fubon Financial Holding Co., Ltd.	Other related parties
Fubon Life Insurance (HK) Ltd.	Other related parties
Fubon Securities Co., Ltd.	Other related parties
Fubon Futures Co., Ltd.	Other related parties
Fubon Investment Services Co., Ltd.	Other related parties
Fubon Securities Equity Investment Co., Ltd.	Other related parties
Fubon Marketing Co., Ltd.	Other related parties
Fu-Sheng Life Insurance Agency Co., Ltd.	Other related parties
Fu-Sheng General Insurance Agency Co., Ltd.	Other related parties
Fubon Financial Venture Capital Co., Ltd.	Other related parties
Fubon Gymnasium Co., Ltd.	Other related parties
Fubon Asset Management Co., Ltd.	Other related parties
One Production Film Co., Ltd.	Other related parties
Fubon Bank (China) Co., Ltd.	Other related parties
Fubon Land Development Co., Ltd.	Other related parties
Fubon Property Management Co., Ltd.	Other related parties
Fubon Real Estate Management Co., Ltd.	Other related parties
Fubon Hospitality Management Co., Ltd. (FHM)	Other related parties
Chung Hsing Constructions Co., Ltd.	Other related parties
Ming Dong Co., Ltd.	Other related parties
Fu Yi Health Management Co. Ltd. (FYHM)	Other related parties
Dao Ying Co., Ltd.	Other related parties
Fubon Xinji Investment Co., Ltd.	Other related parties
Mitchiller Media Co., Ltd.	Other related parties
Dai-Ka Ltd.	Other related parties
Taiwan Mobile Foundation (TMF)	Other related parties
Taipei New Horizon Foundation (TNHF)	Other related parties
Fubon Cultural & Educational Foundation	Other related parties
Fubon Charity Foundation	Other related parties
Fubon Art Foundation	Other related parties
Taipei Fubon Bank Charity Foundation	Other related parties
Taipei New Horizon Management Agency	Other related parties

c. Significant transactions with related parties

1) Operating revenue

	For the Year Ended December 31	
	2018	2017
Associates	$ 76,963	$ 49,319
Other related parties	859,838	852,090
	$ 936,801	$ 901,409

The Group renders telecommunications, sales, maintenance and lease services, etc., to the 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	
	2018	2017
Associates	$ 409,648	$ 404,277
Other related parties	867,501	795,536
	$ 1,277,149	$ 1,199,813

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

3) Receivables due from related parties

		December 31	
Account	**Related Party Categories**	**2018**	**2017**
Accounts receivable	Associates	$ 11,249	$ 7,405
Accounts receivable	Other related parties	126,709	99,070
		$ 137,958	$ 106,475
Other receivables	Associates	$ 113,187	$ 123,781
Other receivables	Other related parties	59,108	74,100
		$ 172,295	$ 197,881

Receivables from related parties above were not secured with collateral, and no provisions for impairment loss were accrued.

4) Payables due to related parties

Account	Related Party Categories	December 31 2018	December 31 2017
Accounts payable	Associates	$ 91,266	$ 502
Accounts payable	Other related parties	88,322	129,130
		$ 179,588	$ 129,632
Other payables	Associates	$ 152	$ 95,714
Other payables	Other related parties	60,216	67,680
		$ 60,368	$ 163,394

5) Prepayments

	December 31 2018	December 31 2017
Other related parties		
Fubon Ins.	$ 15,467	$ 56,138

6) Bank deposits, time deposits and other financial assets

	December 31 2018	December 31 2017
Other related parties		
TFCB	$ 1,284,174	$ 1,185,528
Others	23,001	8,530
	$ 1,307,175	$ 1,194,058

7) Cash equivalents

The Group purchased government bonds with repurchase rights from TFCB amounting to $1,670,129 thousand for the year ended December 31, 2018.

The Group sold the government bonds with repurchase rights, with the purchased amount of $1,524,116 thousand, to TFCB for $1,524,181 thousand, and recognized $65 thousand as interest income for the year ended December 31, 2018.

8) Financial assets at FVTPL - current

The Group sold the beneficiary certificates, with the purchased amount of $100,000 thousand, to FSIT for $88,184 thousand for the year ended December 31, 2018. The cumulative losses were $11,816 thousand, and the Group recognized $2,249 thousand as loss for the year ended December 31, 2018.

9) Available-for-sale financial assets - current

The Group purchased beneficiary certificates from FSIT amounting to $120,000 thousand for the year ended December 31, 2017.

The Group sold the beneficiary certificates to FSIT for $120,012 thousand, resulting in a disposal gain of $12 thousand for the year ended December 31, 2017.

10) Others

	December 31	
	2018	2017
Guarantee deposits		
Other related parties	$ 51,548	$ 48,459
Other current liabilities - receipts under custody		
Other related parties	$ 69,057	$ -

	For the Year Ended December 31	
	2018	2017
Operating expenses		
Other related parties		
TMF	$ 14,420	$ 15,000
TNHF	5,000	5,000
Fubon Life	155,416	151,794
TFCB	250,111	271,397
Others	175,022	153,419
	$ 599,969	$ 596,610
Non-operating income		
Other related party		
FYHM	$ -	$ 15,403

The above operating expenses and non-operating income include rental expenses and rental income. The leases are conducted by referring to general market prices, and rental is paid and collected on a monthly or bimonthly basis.

d. Key management compensation

The amounts of remuneration of directors and key executives were as follows:

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 300,741	$ 309,860
Termination and post-employment benefits	9,583	22,054
	$ 310,324	$ 331,914

31. ASSETS PLEDGED

The assets pledged as collateral for bank loans, purchases, performance bonds and lawsuits were as follows:

	December 31	
	2018	2017
Other current financial assets	$ 160,033	$ 2,552,383
Services concessions	7,148,773	7,327,492
Other non-current financial assets	131,110	128,987
	$ 7,439,916	$ 10,008,862

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	December 31	
	2018	2017
Purchases of property, plant and equipment	$ 806,935	$ 3,683,121
Purchases of cellular phones	$ 1,872,470	$ 3,316,989

b. As of December 31, 2018 and 2017, the amounts of endorsements and guarantees (provided to group entities) were $21,550,000 thousand and $21,618,400 thousand, respectively.

c. In accordance with the NCC's policy and regulations, 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 $534,147 thousand and $15,939 thousand, respectively, as of December 31, 2018.

   In accordance with the NCC's policy and regulations, cable television companies should provide performance bonds based on a certain proportion of the advance receipts from their subscribers. As of December 31, 2018, the cable television companies had provided $74,225 thousand as performance bonds, classified as other non-current financial assets.

   In accordance with the Ministry of Economic Affairs' policy and regulations, momo entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid bonuses and electronic tickets totaling $77,398 thousand and $37,066 thousand, respectively, as of December 31, 2018.

   In accordance with the Ministry of Economic Affairs' policy and regulations, 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 $1,487 thousand as of December 31, 2018.

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 fiscal year 2015. As of December 31, 2018, $583,375 thousand (tax included) of the concession had been paid.

3) Performance guarantee:

As of December 31, 2018, TNH had provided a $32,500 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 a request for provisional injunction with the Taipei District Court (the "Court") 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 and the use of the C1 spectrum to maintain the status quo, and the counter-security deposit was reclaimed in June 2018. The rights and interests of the subscribers will not be affected. TWM filed a claim in August 2017 to revoke the aforementioned ruling; the revocation was approved by the Taiwan High Court (the "High Court") in January 2018.

Besides, in August 2015, FET filed a civil statement of complaint with the Court, in which FET claims that (i) TWM shall apply for the return the C4 spectrum block (1748.7-1754.9/1843.7-1849.9 MHz) back to the NCC; (ii) TWM shall not use the C4 spectrum block; (iii) TWM shall not use the C1 spectrum block until TWM's application for the return of the C4 spectrum block is approved by the NCC; and (iv) TWM shall provide $1,005,800 thousand to FET as compensation. In May 2016, the Court decided against TWM regarding claims (i), (ii), and (iii) of the lawsuit; and the Court decided against FET regarding claim (iv) of the lawsuit. FET offered a security deposit of $320,630 thousand for the provisional execution of claims (i) to (iv). TWM offered a counter-security deposit of $961,913 thousand in order to be exempted from the provisional execution of claims (i) to (iv). In addition, TWM offered a counter-security deposit for the exemption from provisional execution of the sentence, and the counter-security deposit was reclaimed in March 2018. TWM and FET appealed the aforementioned sentences respectively. The judgment dismissed by the High Court were as follows: (1) TWM "shall apply for the return of the C4 spectrum block to the NCC immediately", "shall not use the C4 spectrum block in any way", and "TWM shall not use the C1 spectrum block before the C4 spectrum block has been returned to and approved by the NCC", and (2) the claim stated in section 2(2) below, in which the corresponding portion of FET's claimed provisional execution and litigation expenses were rejected. 2. (1) For the dismissed portion stated in the above section (1), FET's claim and motion of provisional execution in the first instance were rejected; and (2) for the dismissed portion stated in the above section 1(2), TWM shall pay FET $765,779 thousand, as well as a 5% annual interest payment, for the period starting from September 5, 2015 to the payment date, on $152,584 thousand of the above amount. 3. The rest of FET's appeals were rejected. 4. TWM shall bear half of the litigation expenses in the first and second instances, and FET shall bear the rest. 5. Regarding the portion of the judgment regarding TWM's payment, FET may file a provisional execution with a collateral of $255,260 thousand or a negotiable certificate deposit (NCD) issued by Far Eastern International Bank for the equal amount; and TWM may provide a counter-security of $765,779 thousand to be exempted from the above FET provisional execution. 6. The rest of FET's motions on provisional execution were rejected. TWM and FET appealed the sentence respectively. In addition, FET offered a counter-security deposit for the exemption from provisional execution of the sentence, and obtained $791,867 thousand according to the execution decree in May 2018. The amount was recognized under other current assets by TWM.

FET further filed a provisional injunction in April 2016, in which FET claimed that TWM shall apply for the return of the C4 spectrum block to the NCC immediately and TWM shall not use the C1 and C4 spectrum blocks. The Court declared that after FET has provided a collateral of $143,050 thousand, TWM shall apply for the return of the C4 spectrum block to the NCC, and TWM shall be prohibited from the use of the C4 spectrum block; the remainder of FET's claims were rejected. TWM may provide a counter-security deposit of $547,119 thousand to be exempted from, or to move for the revocation of, the above FET provisional injunction. TWM provided the counter-security deposit so that TWM would not be required to return the C4 spectrum block and could maintain the status quo of its use of the C4 spectrum block, and the counter-security deposit was reclaimed in March 2018. TWM and FET have filed an appeal against the unfavorable portion of the judgment. After the ruling declared by the High Court, TWM and FET both appealed the judgment to the Supreme Court. The Supreme Court dismissed the aforementioned ruling and remanded the cases to the High Court. The provisional injunction and aforementioned appeal filed by FET were rejected by the High Court after the remand ruling. FET re-appealed to the Supreme Court, and the Supreme Court rejected the re-appeal in January 2018; thus, the rejection of the provisional injunction filed by FET was the final judgment.

33. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On January 31, 2019, the Board of Directors resolved that TWM will purchase mobile broadband equipment from Nokia Solutions and Networks Taiwan Co., Ltd. The total amount of the contract will not exceed $4,682,000 thousand.

34. OTHERS

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

	For the Year Ended December 31					
	2018			2017		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	$ 2,174,076	$ 4,469,891	$ 6,643,967	$ 2,079,506	$ 4,216,796	$ 6,296,302
Insurance expenses	176,526	390,191	566,717	170,257	376,272	546,529
Pension	97,721	207,550	305,271	94,079	200,388	294,467
Others	106,350	266,152	372,502	105,828	260,996	366,824
Depreciation	9,564,028	340,051	9,904,079	9,884,719	385,215	10,269,934
Amortization	3,223,551	3,827,582	7,051,133	2,959,938	435,281	3,395,219

Information of employees' compensation and remuneration of directors

According to TWM's Articles, the estimated employees' compensation and remuneration of directors are set at the rates of 1% to 3% and no higher than 0.3%, respectively, of profit before income tax, employees' compensation, and remuneration of directors. Estimations for employees' compensation were made by applying the rates to the aforementioned profit before income tax, for the years ended December 31, 2018 and 2017, respectively.

If there is a change in the approved amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in accounting estimate in the next year.

The employees' compensation and remuneration of directors of 2018 and 2017 shown below were approved by the Board of Directors on January 31, 2019 and February 1, 2018, respectively. The differences with the amounts recognized in the consolidated financial statements have been adjusted in 2019 and 2018, respectively.

	For the Year Ended December 31			
	2018		2017	
	Employees' Compensation Paid in Cash	**Remuneration of Directors**	**Employees' Compensation Paid in Cash**	**Remuneration of Directors**
Amounts approved by the Board of Directors	$ 459,368	$ 45,937	$ 453,359	$ 45,336
Amounts recognized in the consolidated financial statements	$ 432,341	$ 43,234	$ 438,728	$ 43,873

Information on the employees' compensation and remuneration of directors approved by the Board of Directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

35. ADDITIONAL DISCLOSURES

a. Information on significant transactions and b. Information on 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: None

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: Table 4 (attached)

6) Disposal of individual real estate 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: None

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: Tables 2 and 8 (attached)

36. 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.

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

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

Cable Television: Providing pay TV and cable broadband services.

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

For the Year Ended December 31, 2018	Telecommuni-cations	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	$ 70,030,527	$ 42,017,012	$ 6,344,906	$ 587,091	$ (247,208)	$118,732,328
Operating costs	42,760,166	37,756,772	3,585,937	344,015	(131,156)	84,315,734
Operating expenses	13,340,946	2,852,538	830,384	58,967	(197,338)	16,885,497
Net other income and expenses	657,267	14,716	775	-	(41,813)	630,945
Profit	14,586,682	1,422,418	1,929,360	184,109	39,473	18,162,042
EBITDA (Note)	26,191,754	1,743,000	3,187,542	396,504	204,338	31,723,138

For the Year Ended December 31, 2017	Telecommuni-cations	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	$ 77,371,810	$ 33,238,547	$ 6,392,485	$ 577,182	$ (408,917)	$117,171,107
Operating costs	48,326,761	29,591,202	3,348,297	353,578	(174,722)	81,445,116
Operating expenses	14,546,447	2,262,449	821,999	51,816	(179,796)	17,502,915
Net other income and expenses	870,301	4,167	25,903	5,786	(36,821)	869,336
Profit	15,368,903	1,389,063	2,248,092	177,574	(91,220)	19,092,412
EBITDA (Note)	27,516,397	1,515,453	3,276,498	390,133	83,417	32,781,898

Note: The Group uses EBITDA (Operating income + Depreciation + Amortization expenses of intangible assets) 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. Overseas revenues are primarily generated from international calls and data services.

Consolidated geographic information for revenues was as follows:

	For the Year Ended December 31	
	2018	2017
Taiwan, ROC	$ 115,690,423	$ 114,146,991
Overseas	3,041,905	3,024,116
	$ 118,732,328	$ 117,171,107

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, 2018

(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 Impairment Loss	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits	Note
													Item	Value			
1	TCC	TWM	Other receivables	Yes	$ 400,000	$ 400,000	$ 390,000	1.09267%-1.09511%	Short-term financing	$ -	Operation requirements	$ -	-	$ -	$ 34,657,299	$ 34,657,299	Note 2
2	WMT	TWM	Other receivables	Yes	3,000,000	3,000,000	2,608,000	1.09267%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	8,178,623	8,178,623	Note 2
		TKT	Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,178,623	8,178,623	Note 2
		TFNM	Other receivables	Yes	3,000,000	2,880,000	1,180,000	1.09311%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	8,178,623	8,178,623	Note 2
		WTVB	Other receivables	Yes	600,000	600,000	325,000	1.09278%-1.09522%	Short-term financing	-	Operation requirements	-	-	-	8,178,623	8,178,623	Note 2
3	TFN	TWM	Other receivables	Yes	9,000,000	9,000,000	6,990,000	1.09267%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	22,544,691	22,544,691	Note 2
4	YJCTV	TFNM	Other receivables	Yes	240,000	140,000	140,000	1.09244%-1.09522%	Transactions	462,943	-	-	-	-	462,943	462,943	Notes 3 and 4
5	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	1.09244%-1.09456%	Transactions	537,792	-	-	-	-	537,792	537,792	Notes 3 and 4
6	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	1.09244%-1.09456%	Short-term financing	-	Repayment of financing	-	-	-	274,660	274,660	Note 3

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 borrowing company). In the event that a lending company directly and indirectly owns 100% of the borrowing company, or the borrowing company directly and 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 and the total amount of business dealings, respectively. 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.

Note 4: Where funds are loaned for reasons of business dealings, the aggregate amount of loans and the maximum amount permitted to a single borrower shall be prescribed within the aggregate amount of business transactions.

TABLE 2

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2018

(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	Note 2	$ 42,000,000	$ 21,500,000	$ 21,500,000	$ 8,501,350	$ -	34.74	$ 61,881,520	Y	N	N	Notes 3 and 4
		TKT	Note 2	259,800	50,000	50,000	50,000	-	0.08	61,881,520	Y	N	N	Note 3
1	momo	FGE	Note 2	829,548	66,960	-	-	-	-	6,150,503	N	N	Y	Note 5

Note 1: The maximum endorsement/guarantee 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, 2018

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2018				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership %	Fair Value	
TWM	Stock							
	Chunghwa Telecom Co., Ltd.	-	Current financial assets at FVTOCI	2,174	$ 245,607	0.028	$ 245,607	
	Asia Pacific Telecom Co., Ltd.	-	Non-current financial assets at FVTOCI	148,255	1,022,960	3.45	1,022,960	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at FVTOCI	800	28,387	10	28,387	
	Limited Partnerships							
	Grand Academy Investment, L.P.	-	Non-current financial assets at FVTOCI	-	603,700	21.67	603,700	Note 1
	Starview Heights Investment, L.P.	-	Non-current financial assets at FVTOCI	-	171,685	21.67	171,685	Note 1
TCC	Stock							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at FVTOCI	6,998	101,683	5.21	101,683	
TFN	Stock							
	Taiwan High Speed Rail Corporation	-	Non-current financial assets at FVTOCI	90,212	2,755,989	1.6	2,755,989	
TCCI	Stock							
	TWM	TWM	Non-current financial assets at FVTOCI	200,497	21,352,905	5.86	21,352,905	
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at FVTOCI	10,000	36,915	6.67	36,915	
TUI	Stock							
	TWM	TWM	Non-current financial assets at FVTOCI	410,665	43,735,853	11.99	43,735,853	
TID	Stock							
	TWM	TWM	Non-current financial assets at FVTOCI	87,590	9,328,288	2.56	9,328,288	
TFNM	Beneficiary Certificates							
	Dragon Tiger Capital Partners Limited - Class B	-	Non-current financial assets at FVTOCI	0.2	-	0.33	-	
	Dragon Tiger Capital Partners Limited - Class C	-	Non-current financial assets at FVTOCI	0.0335	-	0.056	-	

(Continued)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2018				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership %	Fair Value	
momo	Beneficiary Certificates							
	Fubon Strategic High Income Fund B	Other related party	Current financial assets at FVTPL	9,151	$ 81,474	-	$ 81,474	
	Stock							
	Media Asia Group Holdings Limited	-	Current financial assets at FVTOCI	43,668	10,125	2.04	10,125	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at FVTOCI	2,400	42,580	7.73	42,580	

Note 1: Percentage of ownership is the percentage of capital contribution.

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

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
momo	Warehousing logistics construction	November 9, 2015	$ 1,728,552 (Note)	Paid. (including $193,435 thousand paid in current period)	Li Jin Engineering Co., Ltd.	-	-	-	-	$ -	Budget commitments had been approved by the board of directors, and determined by price comparison and price negotiation.	Business development needs	None

Note 1: The transaction amount increased by $3,143 thousand to the total amount of $1,728,552 thousand in current period.

TABLE 5

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, 2018

(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	$ 453,293	1	Based on contract terms	-	-	$ 19,572	-	Note 1
			Purchase	4,825,077	(Note 2)	Based on contract terms	-	-	(467,393)	(Note 3)	Note 1
	TT&T	Subsidiary	Purchase	1,047,348	(Note 2)	Based on contract terms	-	-	(89,101)	(Note 3)	
	TKT	Subsidiary	Purchase	331,380	(Note 2)	Based on contract terms	-	-	(76,858)	(Note 3)	
	TDS	Subsidiary	Purchase	213,856	(Note 2)	Based on contract terms	-	-	(22,103)	(Note 3)	
	TNH	Subsidiary	Purchase	120,902	(Note 2)	Based on contract terms	-	-	(1,283)	(Note 3)	
	Fubon Ins.	Other related party	Sale	374,535	1	Based on contract terms	-	-	60,637	1	
			Purchase	561,855	1	Based on contract terms	-	-	(50,962)	4	
TNH	TWM	Parent	Sale	123,442	21	Based on contract terms	-	-	1,283	11	
TFN	TWM	Ultimate parent	Sale	4,825,077	48	Based on contract terms	-	-	467,393	39	Note 1
			Purchase	453,293	(Note 2)	Based on contract terms	-	-	(19,572)	(Note 3)	Note 1
	TT&T	Fellow subsidiary	Purchase	109,723	(Note 2)	Based on contract terms	-	-	(8,638)	(Note 3)	
	TFNM	Fellow subsidiary	Sale	148,803	1	Based on contract terms	-	-	24,616	2	
	Fubon Life	Other related party	Sale	133,300	1	Based on contract terms	-	-	13,663	1	
TT&T	TWM	Ultimate parent	Sale	1,047,348	90	Based on contract terms	-	-	89,101	91	
	TFN	Fellow subsidiary	Sale	109,723	9	Based on contract terms	-	-	8,638	9	
TKT	TWM	Ultimate parent	Sale	331,380	92	Based on contract terms	-	-	76,858	100	
TDS	TWM	Ultimate parent	Sale	213,856	92	Based on contract terms	-	-	22,013	96	
TFNM	TFN	Fellow subsidiary	Purchase	152,457	(Note 2)	Based on contract terms	-	-	(24,616)	(Note 3)	
	YJCTV	Subsidiary	Channel leasing fee	425,366	13	Based on contract terms	Note 4	Note 4	-	-	
	PCTV	Subsidiary	Channel leasing fee	496,337	15	Based on contract terms	Note 4	Note 4	-	-	
	UCTV	Subsidiary	Channel leasing fee	224,932	7	Based on contract terms	Note 4	Note 4	-	-	
	GCTV	Subsidiary	Channel leasing fee	189,930	6	Based on contract terms	Note 4	Note 4	-	-	
YJCTV	TFNM	Parent	Royalty for copyright	425,366	50	Based on contract terms	Note 4	Note 4	-	-	
PCTV	TFNM	Parent	Royalty for copyright	496,337	51	Based on contract terms	Note 4	Note 4	-	-	
UCTV	TFNM	Parent	Royalty for copyright	224,932	37	Based on contract terms	Note 4	Note 4	-	-	
GCTV	TFNM	Parent	Royalty for copyright	189,930	49	Based on contract terms	Note 4	Note 4	-	-	
MCTV	Dai-Ka Ltd.	Other related party	Royalty for copyright	157,827	43	Based on contract terms	Note 4	Note 4	(52,609)	89	
momo	TPE	Associate	Purchase	406,755	1	Based on contract terms	-	-	(91,167)	2	

Note 1: Accounts receivable (payable) was the net amount after being offset.

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.

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, 2018

(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 Impairment Loss
						Amount	Action Taken		
TCC	TWM	Parent	Other receivables	$ 391,802		$ -	-	$ (1,802)	$ -
WMT	TWM	Parent	Other receivables	2,617,618		-	-	(38,077)	-
	TFNM	Subsidiary	Other receivables	1,182,442		-	-	-	-
	WTVB	Subsidiary	Other receivables	326,391		-	-	(1,084)	-
TFN	TWM	Ultimate parent	Accounts receivable	467,393	10.53	-	-	391,656	-
			Other receivables	7,089,695		-	-	61,522	-
YJCTV	TFNM	Parent	Accounts receivable	4,807	7.28	-	-	-	-
			Other receivables	140,202		-	-	-	-
PCTV	TFNM	Parent	Accounts receivable	5,139	6.99	-	-	-	-
			Other receivables	522,093		-	-	-	-
GCTV	TFNM	Parent	Accounts receivable	2,257	7.20	-	-	-	-
			Other receivables	250,010		-	-	-	-
momo	TPE	Associate	Accounts receivable	2,059	4.91	-	-	1,291	-
			Other receivables	112,956		-	-	112,956	-

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA) FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2018	December 31, 2017	Shares (Thousands)	Percentage of Ownership %	Carrying Value			
TWM	TCC	Taiwan	Investment	$ 40,397,288	$ 40,397,288	502,970	100	$ 19,736,769	$ 3,584,025	$ 3,579,668	Note 1
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	20,446,559	2,082,254	2,082,254	
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,772,825	102,109	50,952	
	ADT	Taiwan	Technology development of mobile payment and information processing services	60,000	60,000	6,000	14.4	8,636	(66,405)	(5,815)	
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	56,362,690	3,465,946	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	78,163	50,981	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	256,047	9,348	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	29,189,104	11,317	-	Note 2
	TDC	Taiwan	Mobile phone wholesaling and TV program production	112,000	112,000	11,200	100	115,816	250	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	25,000	2,500	100	109,853	15,461	-	Note 2
	TPIAC	Taiwan	Property insurance agent	5,000	5,000	500	100	27,914	22,972	-	Note 2
	TFC	Taiwan	Type II telecommunications business	5,000	-	500	100	4,409	(591)	-	Note 2
WMT	TFNM	Taiwan	Type II telecommunications business	5,210,443	5,210,443	230,921	100	6,553,427	1,449,737	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	16,879	(403)	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	96,410	2,636	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	332,792	77,655	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,318,968	1,449,640	-	Notes 2 and 4
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	38,298,647	(77)	-	Note 2
	TFN HK Ltd.	Hong Kong	Telecommunications service provider	2,925	2,925	1,300	100	8,228	(243)	-	Note 2
TT&T	TT&T Holdings	Samoa	Investment	-	36,284	-	-	-	(279)	-	Notes 2 and 5
TCCI	TID	Taiwan	Investment	3,602,782	3,602,782	104,712	100	8,174,055	(106)	-	Note 2
TFNM	TKT	Taiwan	Digital music service	129,900	129,900	12,000	100	225,842	21,765	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	1,915,527	(162,988)	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	630,460	54,149	-	Notes 2 and 6
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,355,185	74,195	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	1,971,165	(34,648)	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,256,853	40,993	-	Note 2
	kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	154,847	(53,875)	-	Note 2
GFMT	UCTV	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	15,154	(34,648)	-	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	94,913	40,993	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2018	December 31, 2017	Shares (Thousands)	Percentage of Ownership %	Carrying Value			
momo	Asian Crown (BVI)	British Virgin Islands	Investment	$ 885,285	$ 789,864	9,735	81.99	$ 41,494	$ (14,417)	$ -	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	794,501	36,435	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	9,310	238	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	10,969	2,045	-	Note 2
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	48,535	10,243	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	385,706	69,392	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	115,099	115,099	24,150	35	119,889	26,220	-	Note 2
	Bebe Poshe	Taiwan	Wholesale of cosmetics	85,000	-	8,500	85	82,726	(21,969)	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,035,051	11,594	100	46,105	(14,566)	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,035,051	11,594	100	46,105	(14,566)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	794,501	36,435	-	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: Held 1 share on December 31, 2018.

Note 4: Non-controlling interests.

Note 5: TT&T Holdings was dissolved in February 2018.

Note 6: 70.47% of stocks are held under trustee accounts.

Note 7: For information on investment in Mainland China, see Table 9 for details.

(Concluded)

TABLE 8

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

(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	TFN	1	Accounts and notes receivable, net	$ 19,572	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIAC	1	Accounts and notes receivable, net	30,335	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other receivables	30,265	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Other receivables	40,051	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Other non-current assets	18,840	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Short-term borrowings	6,990,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	5%
		WMT	1	Short-term borrowings	2,608,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	2%
		TCC	1	Short-term borrowings	390,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Accounts and notes payable	70,261	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TKT	1	Accounts and notes payable	76,334	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Accounts and notes payable	16,006	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Accounts and notes payable	10,881	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other payables	462,811	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Other payables	89,101	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other current liabilities	34,016	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Other current liabilities	12,977	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TKT	1	Disposal of plant, property and equipment	11,094	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating revenues	453,293	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIAC	1	Operating revenues	53,169	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Operating revenues	64,272	The terms of transaction are determined in accordance with mutual agreements or general business practices	-

(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	
0	TWM	TFN	1	Operating costs	$ 4,779,618	The terms of transaction are determined in accordance with mutual agreements or general business practices	4%
		TKT	1	Operating costs	330,748	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Operating costs	213,856	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Operating costs	31,575	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Operating costs	26,546	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Operating expenses	1,047,348	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TNH	1	Operating expenses	89,327	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating expenses	46,069	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TCCI	1	Operating expenses	14,205	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Net other income and expenses	34,629	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Other income	45,284	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Finance costs	73,340	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WMT	1	Finance costs	22,643	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
1	WMT	TFNM	1	Other receivables	1,182,442	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		WTVB	1	Other receivables	326,391	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Other income	19,090	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
2	momo	FGE	1	Accounts and notes receivable, net	18,323	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	3	Acquisition of property, plant and equipment	23,403	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		FGE	1	Operating revenues	19,513	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating costs	64,241	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
3	TFN	TFNM	3	Accounts and notes receivable, net	24,616	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating revenues	148,803	The terms of transaction are determined in accordance with mutual agreements or general business practices	-

(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	
3	TFN	momo	3	Operating revenues	$ 56,081	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	3	Operating expenses	109,723	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
4	TFNM	PCTV	1	Other receivables	37,347	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Other receivables	34,772	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Other receivables	24,348	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Other receivables	19,896	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		MCTV	1	Other receivables	14,632	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Short-term borrowings	520,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Short-term borrowings	140,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Short-term borrowings	250,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Accounts and notes payable	69,997	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating revenues	538,177	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating revenues	462,943	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating revenues	224,932	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Operating revenues	206,696	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		MCTV	1	Operating revenues	19,650	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating costs	34,677	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating costs	31,400	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating costs	22,717	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Operating costs	14,745	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Operating costs	66,664	The terms of transaction are determined in accordance with mutual agreements or general business practices	-

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, 2018

(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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
					Outflow	Inflow							
Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis and development of CRM application and information consulting services	$ -	b	$ 40,027 (USD 1,300)	$ -	$ 40,027 (USD 1,300)	$ -	$ -	-	$ -	$ -	$ 9,764 (USD 317)	Note 2
TWMC	Mobile application development and design	92,370 (USD 3,000)	b	150,006 (USD 4,872)	-	-	150,006 (USD 4,872)	1,207	100	1,207	105,667	-	
FGE	Wholesaling	345,960 (RMB 77,500)	b	742,384 (USD 14,000) (RMB 69,741)	87,164 (RMB 19,526)	-	829,548 (USD 14,000) (RMB 89,267)	(16,135)	76.7	(11,480)	30,821	-	Note 3
Haobo	Investment	49,104 (RMB 11,000)	b	-	-	-	-	36,435	100	36,435	794,501	-	
GHS	Wholesaling	223,200 (RMB 50,000)	b	-	-	-	-	277,940	20	37,226	766,529	-	

Company	Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
TWM and subsidiaries	$1,641,912 (USD18,872, RMB89,267 and HKD168,539)	$1,641,912 (USD18,872, RMB89,267 and HKD168,539)	$40,796,218

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 the capital was remitted to the parent company, TT&T Holdings. TT&T Holdings was dissolved in February 2018 and the capital was remitted to the parent company, TT&T. Investment Commission, MOEA approved the revocation of limited amount in March 2018.

Note 3: The extraordinary stockholders' meeting of FGE resolved to increase capital by RMB20,000 thousand in May 2018, and HK Fubon Multimedia completed the full subscription in August 2018.

Note 4: The amounts are based on audited financial statements.

Taiwan Mobile Co., Ltd.

Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Taiwan Mobile Co., Ltd. ("TWM"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TWM as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China ("ROC"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of TWM in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the 2018 financial statements are as follows:

<u>The Impairment Loss of Property, Plant and Equipment and Intangible Assets (Including Goodwill)</u>

The description of key audit matter:

The balances of property, plant and equipment and intangible assets (including goodwill) amounted to $22,249,874 thousand and $41,053,072 thousand, respectively, as of December 31, 2018. On each balance sheet date, TWM reviews its tangible and intangible assets for indications of impairment. If any indication thereof exists, TWM then estimates the recoverable amount of the assets. If it is not possible to determine the recoverable amount (fair value less costs to sell and value in use) for the individual asset, then TWM will determine the recoverable amount for the asset's cash-generating unit. Because the aforementioned tangible and intangible assets amounted to $63,302,946 thousand (47% of total assets) and the calculation for the recoverable amount involved several assumptions and estimations which directly impact the amount recognized as impairment losses, we believe that the review for the impairment of assets is a key audit matter.

Corresponding audit procedure:

By conducting compliance tests, we obtained an understanding of the estimation for asset impairment and of the design and execution for relevant controls. We also performed major audit procedures which are as follows:

1. Obtain the valuation form of asset impairment produced by TWM for each cash-generating unit.

2. Evaluate the appropriateness of the assumptions and sensitivity analyses, including the classification of cash-generating units, forecasts of cash flows, and discount rates, used by the management to assess asset impairment.

Telecommunications and Value-added Services Revenue

The description of key audit matter:

The source of the major operating revenue of TWM is the telecommunications and value-added services revenue, totaling $49,114,766 thousand for the year ended December 31, 2018. TWM offers more different monthly-fee plans and diversifies the business by innovating value-added services since the telecommunication industry becomes more competitive nowadays. The competitive telecommunication industry and complicated revenue calculation, which highly relies on automatic, systematic connection and implementation, lead the telecommunications and value-added services revenue to be considered as one of the key audit matters.

Corresponding audit procedure:

By conducting compliance tests, we obtained an understanding of the revenue recognition process and of the design and execution for relevant controls. We also performed major audit procedures which are as follows:

1. Review the contracts of mobile subscribers to ensure the accuracy of information in the accounting system.

2. Perform dialing tests to verify the completeness of the information in the telephone exchange system.

3. Perform system integration tests from telephone-exchange to telephone traffic.

4. Test for the accuracy of call record charge rates and billing calculations.

5. Verify the accuracy of the billing amounts generated from monthly rentals as well as airtime accounting systems and the transfer to the accounting information system.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing TWM's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate TWM or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing TWM's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the ROC will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the ROC, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TWM's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on TWM's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause TWM to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within TWM to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Li-Wen Kuo and Kwan-Chung Lai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

January 31, 2019

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the ROC and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the ROC.

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

TAIWAN MOBILE CO., LTD.

BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 28)	$ 1,419,168	1	$ 947,354	1
Financial assets at fair value through other comprehensive income (Note 7)	245,607	-	-	-
Available-for-sale financial assets (Note 8)	-	-	230,392	-
Contract assets (Note 21)	5,460,190	4	-	-
Accounts and notes receivable, net (Note 9)	6,062,929	4	13,400,440	9
Accounts receivable due from related parties (Note 28)	136,698	-	97,230	-
Other receivables (Note 28)	1,082,521	1	910,308	1
Inventories (Note 10)	2,311,480	2	3,286,338	2
Prepayments (Note 28)	216,712	-	258,301	-
Assets held for sale	-	-	1,737	-
Other financial assets (Notes 28 and 29)	9,409	-	2,448,110	2
Other current assets (Note 30)	794,125	1	3,188	-
Total current assets	17,738,839	13	21,583,398	15
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Note 7)	1,826,732	1	-	-
Available-for-sale financial assets (Note 8)	-	-	2,264,650	2
Contract assets(Note 21)	3,200,610	3	-	-
Financial assets at cost	-	-	7,050	-
Investments accounted for using equity method (Note 11)	41,964,789	31	40,805,620	29
Property, plant and equipment (Notes 12 and 28)	22,249,874	17	24,193,665	17
Investment properties, net (Note 13)	3,151,320	2	3,030,913	2
Concessions (Note 14)	33,380,101	25	36,343,088	26
Goodwill (Note 14)	7,121,871	5	7,121,871	5
Computer software, net (Note 14)	549,900	-	539,664	-
Other intangible assets, net (Note 14)	1,200	-	-	-
Deferred tax assets (Note 23)	567,543	1	628,509	1
Incremental costs of obtaining a contract (Note 21)	2,884,482	2	-	-
Other non-current assets (Notes 15 and 29)	425,939	-	4,450,954	3
Total non-current assets	117,324,361	87	119,385,984	85
TOTAL	$ 135,063,200	100	$ 140,969,382	100

	December 31, 2018		December 31, 2017	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 28)	$ 19,288,000	14	$ 17,430,000	12
Short-term notes and bills payable (Note 16)	1,498,992	1	5,595,892	4
Contract liabilities (Note 21)	1,152,331	1	-	-
Accounts and notes payable	1,120,379	1	3,251,335	2
Accounts payable due to related parties (Note 28)	224,981	-	271,883	-
Other payables (Note 28)	7,573,224	6	8,214,010	6
Current tax liabilities	1,684,319	1	609,514	1
Provisions (Note 18)	91,836	-	153,792	-
Advance receipts	85,455	-	1,862,505	2
Long-term liabilities, current portion (Notes 16 and 17)	6,499,680	5	15,399,528	11
Other current liabilities (Note 28)	1,623,249	1	1,631,023	1
Total current liabilities	40,842,446	30	54,419,482	39
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Note 17)	1,861	-	9,961	-
Bonds payable (Note 17)	24,419,137	18	14,149,407	10
Long-term borrowings (Note 16)	6,000,000	4	11,000,000	8
Provisions (Note 18)	719,116	1	753,926	1
Deferred tax liabilities (Note 23)	569,469	1	441,600	-
Net defined benefit liabilities (Note 19)	282,163	-	217,066	-
Guarantee deposits	347,488	-	346,077	-
Total non-current liabilities	32,339,234	24	26,918,037	19
Total liabilities	73,181,680	54	81,337,519	58
EQUITY (Note 20)				
Common stock	34,208,519	26	34,208,328	24
Capital collected in advance	29,819	-	-	-
Capital surplus	12,580,692	9	13,939,278	10
Retained earnings				
Legal reserve	27,558,064	20	26,138,846	18
Special reserve	362,703	-	690,034	1
Unappropriated earnings	16,954,448	13	14,735,424	10
Other equity interests	(95,381)	-	(362,703)	-
Treasury stock	(29,717,344)	(22)	(29,717,344)	(21)
Total equity	61,881,520	46	59,631,863	42
TOTAL	$ 135,063,200	100	$ 140,969,382	100

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

TAIWAN MOBILE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 21 and 28)	$ 65,545,627	100	$ 73,612,276	100
OPERATING COSTS (Notes 10, 28 and 32)	43,017,205	66	48,473,355	66
GROSS PROFIT FROM OPERATIONS	22,528,422	34	25,138,921	34
OPERATING EXPENSES (Notes 28 and 32)				
Marketing	9,271,668	14	10,503,440	14
Administrative	3,023,042	5	3,383,170	5
Expected credit loss	404,943	-	-	-
Total operating expenses	12,699,653	19	13,886,610	19
NET OTHER INCOME AND EXPENSES	636,938	1	841,723	1
OPERATING INCOME	10,465,707	16	12,094,034	16
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 22 and 28)	82,033	-	249,934	-
Other gains and losses, net (Note 22)	(120,385)	-	(1,155,258)	(1)
Finance costs (Notes 22 and 28)	(597,351)	(1)	(602,689)	(1)
Share of profit (loss) of subsidiaries and associates accounted for using equity method	5,707,059	9	5,180,567	7
Total non-operating income and expenses	5,071,356	8	3,672,554	5
PROFIT BEFORE TAX	15,537,063	24	15,766,588	21
INCOME TAX EXPENSE (Note 23)	1,894,891	3	1,574,412	2
PROFIT	13,642,172	21	14,192,176	19
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 11, 19, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements from defined benefit plans	(55,867)	-	(40,245)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(426,925)	(1)	-	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	616,587	1	(41,921)	-
Items that may be reclassified subsequently to profit or loss				
Unrealized gain (loss) on available-for-sale financial assets	-	-	(70,874)	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	(7,899)	-	398,205	-
Other comprehensive income (loss) (after tax)	125,896	-	245,165	-
COMPREHENSIVE INCOME	$ 13,768,068	21	$ 14,437,341	19
EARNINGS PER SHARE (Note 24)				
Basic earnings per share	$ 5.01		$ 5.21	
Diluted earnings per share	$ 4.86		$ 5.06	

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

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

				Retained Earnings			Other Equity Interests				
	Common Stock	Capital Collected in Advance	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Stock	Total Equity
BALANCE, JANUARY 1, 2017	$ 34,208,328	$ -	$ 14,985,047	$ 24,606,828	$ 1,173,954	$ 15,850,111	$ (9,133)	$ -	$ (680,901)	$(29,717,344)	$ 60,416,890
Distribution of 2016 earnings											
Legal reserve	-	-	-	1,532,018	-	(1,532,018)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(483,920)	483,920	-	-	-	-	-
Cash dividends	-	-	-	-	-	(14,176,599)	-	-	-	-	(14,176,599)
Total distribution of earnings	-	-	-	1,532,018	(483,920)	(15,224,697)	-	-	-	-	(14,176,599)
Cash dividends from capital surplus	-	-	(1,067,056)	-	-	-	-	-	-	-	(1,067,056)
Profit for the year ended December 31, 2017	-	-	-	-	-	14,192,176	-	-	-	-	14,192,176
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	(82,166)	(7,366)	-	334,697	-	245,165
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	14,110,010	(7,366)	-	334,697	-	14,437,341
Changes in equity of associates accounted for using equity method	-	-	3,753	-	-	-	-	-	-	-	3,753
Changes in other capital surplus	-	-	17,534	-	-	-	-	-	-	-	17,534
BALANCE, DECEMBER 31, 2017	34,208,328	-	13,939,278	26,138,846	690,034	14,735,424	(16,499)	-	(346,204)	(29,717,344)	59,631,863
Effect of retrospective application and retrospective restatement	-	-	-	-	-	3,354,181	-	(281,785)	346,204	-	3,418,600
ADJUSTED BALANCE, JANUARY 1, 2018	34,208,328	-	13,939,278	26,138,846	690,034	18,089,605	(16,499)	(281,785)	-	(29,717,344)	63,050,463
Distribution of 2017 earnings											
Legal reserve	-	-	-	1,419,218	-	(1,419,218)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(327,331)	327,331	-	-	-	-	-
Cash dividends	-	-	-	-	-	(13,610,406)	-	-	-	-	(13,610,406)
Total distribution of earnings	-	-	-	1,419,218	(327,331)	(14,702,293)	-	-	-	-	(13,610,406)
Cash dividends from capital surplus	-	-	(1,633,249)	-	-	-	-	-	-	-	(1,633,249)
Profit for the year ended December 31, 2018	-	-	-	-	-	13,642,172	-	-	-	-	13,642,172
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	(78,832)	(7,899)	212,627	-	-	125,896
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	13,563,340	(7,899)	212,627	-	-	13,768,068
Convertible bonds converted to common stock	191	29,819	275,614	-	-	-	-	-	-	-	305,624
Changes in percentage of ownership interests in subsidiaries	-	-	(10,347)	-	-	-	-	-	-	-	(10,347)
Changes in equity of associates accounted for using equity method	-	-	8,380	-	-	1,971	-	-	-	-	10,351
Changes in other capital surplus	-	-	1,016	-	-	-	-	-	-	-	1,016
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	1,825	-	(1,825)	-	-	-
BALANCE, DECEMBER 31, 2018	$ 34,208,519	$ 29,819	$ 12,580,692	$ 27,558,064	$ 362,703	$ 16,954,448	$ (24,398)	$ (70,983)	$ -	$(29,717,344)	$ 61,881,520

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

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 15,537,063	$ 15,766,588
Adjustments		
Share of (profit) loss of subsidiaries and associates accounted for using equity method	(5,707,059)	(5,180,567)
Depreciation expense	7,020,629	7,854,909
Amortization expense	3,232,577	3,013,131
Amortization of incremental costs of obtaining contracts	3,340,003	-
Loss on disposal of property, plant and equipment, net	95,769	351,200
Loss on disposal of intangible assets, net	128,002	-
Expected credit loss	404,943	-
Provision for bad debt expense	-	330,224
Finance costs	597,351	602,689
Interest income	(12,331)	(12,176)
Dividend income	(10,424)	(10,741)
Reversal of impairment loss on property, plant and equipment	(99,064)	-
Reversal of impairment loss on investment properties	(4,522)	-
Valuation gain on financial liabilities at fair value through profit or loss	(8,061)	(32,000)
Others	17	(100)
Changes in operating assets and liabilities		
Contract assets	1,916,814	-
Accounts and notes receivable	349,950	341,752
Accounts receivable due from related parties	(42,446)	(7,605)
Other receivables	(137,849)	(60,112)
Inventories	974,858	462,631
Prepayments	41,589	6,435
Other current assets	(790,937)	963
Other financial assets	(9,299)	(45)
Incremental costs of obtaining a contract	(2,112,684)	-
Contract liabilities	(650,363)	-
Accounts and notes payable	(2,130,956)	(221,357)
Accounts payable due to related parties	(46,902)	74,212
Other payables	(491,066)	466,983
Provisions	(110,972)	(52,291)
Advance receipts	22,561	105,017
Other current liabilities	(7,774)	(370,001)
Net defined benefit liabilities	(16,358)	(17,140)
Net cash inflows generated from operating activities	21,273,059	23,412,599
Interest received	606	741
Interest paid	(390)	(409)
Income taxes paid	(1,466,643)	(2,381,664)
Net cash generated from operating activities	19,806,632	21,031,267

(Continued)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	$ (5,175,390)	$ (5,039,668)
Acquisition of intangible assets	(202,839)	(8,757,993)
Increase in prepayments for equipment	(310,256)	(222,162)
Proceeds from disposal of property, plant and equipment	33,744	38,341
Acquisition of available-for-sale financial assets	-	(810,865)
Increase in refundable deposits	(108,010)	(126,163)
Decrease in refundable deposits	121,201	135,704
Increase in other financial assets	-	(9,000)
Decrease in other financial assets	2,448,000	-
Interest received	12,929	15,431
Dividend received	5,172,812	5,460,008
Net cash generated from (used in) investing activities	1,992,191	(9,316,367)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(300,000)	3,300,000
Borrowings from related parties	13,265,000	11,920,000
Repayments of borrowings from related parties	(11,107,000)	(12,410,000)
Increase (decrease) in short-term notes and bills payable	(4,096,683)	5,595,382
Proceeds from issue of bonds	14,984,564	-
Repayments of bonds payable	(7,400,000)	(2,900,000)
Proceeds from long-term borrowings	-	1,000,000
Repayment of long-term borrowings	(11,000,000)	(3,000,000)
Increase in guarantee deposits received	59,103	69,941
Decrease in guarantee deposits received	(57,044)	(80,958)
Cash dividends paid	(15,243,647)	(15,243,643)
Interest paid	(431,302)	(502,756)
Net cash used in financing activities	(21,327,009)	(12,252,034)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	471,814	(537,134)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	947,354	1,484,488
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,419,168	$ 947,354

The accompanying notes are an integral part of the financial statements. (Concluded)

TAIWAN MOBILE CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(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 stock was listed on the ROC Over-the-Counter ("OTC") Securities Exchange (known as The Taipei Exchange, TPEx) on September 19, 2000. On August 26, 2002, TWM's stock was shifted to be listed on the Taiwan Stock Exchange. TWM is mainly engaged in rendering wireless communication service and the sale of mobile phones and accessories, e-books and games.

TWM 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 2G concession license had been renewed by the National Communications Commission ("NCC") and terminated on June 30, 2017. TWM received a third-generation ("3G") concession license issued by the DGT in March 2005, and the 3G concession license terminated on December 31, 2018. TWM participated in the fourth-generation ("4G") mobile spectrum auctions held by NCC for the need of long-term business development and from April 2014 to June 2018 acquired the concession licenses for the mobile broadband spectrum in the 700, 1800 and 2100MHz frequency bands separately, and the aforementioned licenses are valid until December 2030 and December 2033, respectively.

2. APPROVAL DATE AND PROCEDURES OF THE FINANCIAL STATEMENTS

The Board of Directors approved the financial statements on January 31, 2019.

3. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

a. Application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), Interpretations of IFRS ("IFRIC"), and Interpretations of IAS ("SIC") (collectively, the "IFRSs") endorsed and issued into effect by the ROC Financial Supervisory Commission ("FSC").

   TWM initially applied IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on January 1, 2018. Based on the considerations of the comparability with peer telecommunication carriers and the consistency of financial reporting for investors, TWM chose not to restate its consolidated accounts for the previous reporting periods.

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on TWM's accounting policies:

1) IFRS 9 "Financial Instruments" and related amendment

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Please refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, TWM has performed an assessment on whether it would retrospectively applied those newly issued and/or amended accounting standards and interpretations.

The following table shows the measurement categories and carrying amount under IAS 39 and IFRS 9 for each class of TWM's financial assets and financial liabilities as at January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 947,354	$ 947,354	-
Stocks	Available-for-sale/ Financial assets at cost	Fair value through other comprehensive income ("FVTOCI") - equity instrument	1,717,027	1,717,027	(a)
Limited partnerships	Available-for-sale	FVTOCI - equity instrument	785,065	785,065	(a)
Notes receivable, trade receivables and other receivables (including related parties)	Loans and receivables	Amortized cost	18,400,013	7,838,692	(b)
Contract assets	-	-	-	10,561,321	(b)
Other financial assets	Loans and receivables	Amortized cost	2,448,830	2,448,830	-
Refundable deposits	Loans and receivables	Amortized cost	413,988	413,988	-

	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	IFRS 9 Carrying Amount as of January 1, 2018	Remark
Financial assets at FVTOCI - equity instrument	$ -	$ -	$ -	-
Add: From available-for-sale (IAS 39)	-	2,495,042	2,495,042	(a)
Add: From financial assets at cost (IAS 39)	-	7,050	7,050	(a)
	$ -	$ 2,502,092	$ 2,502,092	

a) TWM elected to designate stocks investments and limited partnerships previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9. As a result, the related other equity - unrealized loss on available-for-sale financial assets of $1,401,869 thousand was reclassified to other equity - unrealized loss on financial assets at FVTOCI.

   Investments in unlisted stocks previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value.

b) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost of $7,838,692 thousand and contract assets of $10,561,321 thousand, with an assessment of expected credit losses under IFRS 9 and IFRS 15, respectively.

c) Since investments accounted for using equity method retrospectively applied IFRS 9, TWM reclassified 1,055,665 thousand of other equity - unrealized gain (loss) on available-for-sale financial assets to other equity - unrealized gain (loss) on financial assets at FVTOCI. The application also resulted in an increase of 64,419 thousand in other equity- unrealized gain (loss) on financial assets at FVTOCI and a decrease of 39,351 thousand in retained earnings.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Please refer to Note 4 for related accounting policies.

Incremental costs of obtaining a contract will be capitalized and recognized as an asset to the extent TWM expects to cover 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. Before adopting IFRS 15, related costs are recognized as expense immediately.

In accordance with IFRS 15, TWM is a principal if it controls the specified good or service before that good or service is transferred to a customer.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivable was recognized or the deferred revenue was reduced when revenue was recognized for the contract under IAS 18.

TWM elected only to retrospectively apply IFRS 15 to contracts that were not completed on the transition date and recognized the cumulative effect of the change in the retained earnings on January 1, 2018.

Impact on assets, liabilities and equity for the current year

	Carrying Amount as of January 1, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Current assets			
Contract assets	$ -	$ 6,569,286	$ 6,569,286
Accounts and notes receivable, net (including related parties)	13,497,670	(6,569,286)	6,928,384
Non-current assets			
Investments accounted for using equity method	40,805,620	(19,263)	40,786,357
Contract assets	-	3,992,035	3,992,035
Incremental costs of obtaining a contract	-	4,111,801	4,111,801
Other non-current assets	4,450,954	(3,992,035)	458,919
Total effect on assets		$ 4,092,538	

(Continued)

	Carrying Amount as of January 1, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Current liabilities			
Contract liabilities	$ -	$ 1,802,694	$ 1,802,694
Current tax liabilities	609,514	699,006	1,308,520
Advanced receipts	1,862,505	(1,802,694)	59,811
Total effect on liabilities		$ 699,006	
Equity			
Unappropriated earnings	14,735,424	$ 3,393,532	18,128,956
Total effect on equity		$ 3,393,532	

(Concluded)

The reference information, assuming TWM remains adopting IAS 18 “Revenue” as of December 31, 2018, is listed below:

	December 31, 2018
Current assets	
Contract assets	$ (5,460,190)
Accounts and notes receivable, net (including related parties)	5,460,190
Prepayments	(37)
Non-current assets	
Contract assets	(3,200,610)
Investments accounted for using equity method	(13,421)
Incremental costs of obtaining a contract	(2,884,482)
Other non-current assets	3,200,610
Total effect on assets	$ (2,897,940)
Current liabilities	
Contract liabilities	$ (1,152,331)
Current tax liabilities	(576,904)
Advanced receipts	1,152,331
Total effect on liabilities	$ (576,904)
Equity	
Unappropriated earnings	$ (2,321,036)
Total effect on equity	$ (2,321,036)

Impact on total comprehensive income for the current year

	For the Year Ended December 31, 2018
Operating costs	$ 37
Operating expenses	(1,227,319)
Changes in gain (loss) of subsidiaries and associates accounted for using equity method	(32,684)
Income tax expense	122,102
Total effect on net profit	$ 1,072,496
Impact on earnings per share:	
Basic earnings per share	$ 0.39
Diluted earnings per share	$ 0.38

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by International Accounting Standards Board (IASB) (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.

Note 3: TWM shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, TWM will reassess whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Contracts that are reassessed as containing a lease will be accounted for in accordance with the transitional provisions under IFRS 16.

TWM as lessee

Upon initial application of IFRS 16, TWM will recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments fall under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, TWM will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities and the interest portion will be classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts are recognized as expenses on a straight-line basis. The difference between the actual payments and the expenses, as adjusted for lease incentives, is recognized as accrued expenses. Cash flows for operating leases are classified within operating activities on the statements of cash flows.

TWM anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases under IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. TWM will apply IAS 36 to all right-of-use assets.

TWM expects to apply the following practical expedients: TWM will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

TWM as lessor

Except for sublease transactions, TWM will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

TWM subleased its leasehold to a third party. Such sublease is classified as an operating lease under IAS 17. TWM determines the sublease is classified as a finance lease on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019, and TWM accounts for the sublease as a new finance lease entered into at that date.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Current assets			
Accounts and notes payable, net (including related parties)	$ 6,199,627	$ (25,649)	$ 6,173,978
Operating lease receivables	-	29,687	29,687
Finance lease receivables	-	6,162	6,162
Other receivables	1,082,521	(4,038)	1,078,483
Prepayments	216,712	(102,736)	113,976
Non-current assets			
Investments accounted for using equity method	41,964,789	$ 22,658	41,987,447
Right-of-use assets	-	8,950,168	8,950,168
Deferred tax assets	567,543	(2,487)	565,056
Other non-current assets	425,939	(5,726)	420,213
Total effect on assets		$ 8,868,039	
Current liabilities			
Other payables	7,573,224	$ (12,369)	7,560,855
Lease liabilities	-	3,019,768	3,019,768
Advanced receipts	85,455	(1,581)	83,874
Non-current liabilities			
Lease liabilities	-	5,829,616	5,829,616
Total effect on liabilities		$ 8,835,434	
Equity			
Retained earnings	16,954,448	$ 32,605	16,987,053
Total effect on equity		$ 32,605	

Except for the above potential impact, as of the date the financial statements were authorized for issue, TWM had assessed that the application of other standards and interpretations would not have significant impacts on TWM's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC.

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
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
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: TWM shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: TWM shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the financial statements were authorized for issue, TWM is continuously assessing the possible impact that the application of other standards and interpretations will have on TWM'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 financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

a. Basis of measurement

The financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

b. Functional and presentation currency

The functional currency of each individual entity is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan dollars (NTD), which is TWM's functional currency.

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. Exchange differences in the period on monetary items arising from settlement or translation are recognized in profit or loss in the period which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

When preparing 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.

Classification of Current and Non-current Assets and Liabilities

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

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

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

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

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

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

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

c. 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.

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

   TWM adopts trade-date accounting to recognize and derecognize financial assets.

1) Measurement category

2018

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at FVTOCI.

a) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets and refundable deposits are measured at amortized cost, which equal to gross carrying amount determined by the effective interest method less any impairment loss, except for short-term receivables when the recognition of interest is immaterial. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments. If they do not meet the above definition, time deposits should be recognized as other current or non-current financial assets.

b) Investments in equity instruments at FVTOCI

On initial recognition, TWM may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when TWM's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Available-for-sale financial assets and loans and receivables.

a) 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.

b) 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, notes and accounts receivable, other receivables, other financial assets, and refundable deposits.

2) Impairment of financial assets and contract assets

<u>2018</u>

TWM recognizes a loss allowance for expected credit losses ("ECL") on financial assets at amortized cost (including receivables) and contract assets.

The loss allowances for receivables and contract assets are measured at an amount equal to lifetime ECL. For other financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to 12-month ECL. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to lifetime ECL.

ECLs reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

TWM recognizes an impairment loss in profit or loss for aforementioned financial instruments and contract assets with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

Financial assets, other than those at FVTPL, 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.

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

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.

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.

3) Derecognition of financial assets

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

2018

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of investments in equity instruments at FVTOCI, the cumulative gain or loss is directly transferred to retained earnings, and it is not reclassified to profit or loss.

2017

On derecognition of a financial asset in its entirety, the difference between the carrying amount and 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. Equity instruments

Equity instruments issued by TWM are recognized at the proceeds received, net of direct issue costs.

The repurchase of the company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

c. Financial liabilities

1) Recognition

Except for the financial liabilities measured at FVTPL, all financial liabilities, including loans and borrowings, short-term notes and bills payable, bonds payable, notes and accounts payable, other payables, and guarantee deposits received, are measured at amortized cost calculated using the effective interest method.

2) Convertible bonds

The component parts of compound financial instruments (convertible bonds) issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated at the prevailing market interest rate for similar non-convertible instruments. The amount is recognized as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be reclassified as capital surplus - additional paid-in capital. If the conversion option remains unexercised at maturity, the balance recognized in equity will be reclassified as capital surplus - others.

Transaction costs that relate to the issuance of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

3) Derecognition of financial liabilities

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.

d. Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately.

Before 2017, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the hybrid contracts; and the contracts were not measured at FVTPL. From 2018, derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Except for aforementioned, the derivative financial instruments accounting policy is the same as the policy adopted in 2017.

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

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.

Investment in Associates

An associate is an entity in which TWM has significant influence, but is neither a subsidiary nor an interest in a joint venture. TWM applies the equity method to account for its investments in associates.

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. Any excess of TWM’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss. The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The financial statements include TWM’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 TWM, from the date that significant influence commences until the date that significant influence ceases.

When TWM’s share of losses of an associate equals or exceeds its interest in that associate, TWM discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that TWM has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

If TWM does not subscribe the newly issued stock 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.

When TWM loses significant influence over an associate, it recognizes the investment retained in the former associate at its fair value at the date when significant influence is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when significant influence is lost is recognized as a gain or loss in profit or loss. Besides this, TWM accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if TWM had directly disposed of the related assets or liabilities. If TWM decreased the percentage of the ownership of associate due to disposal but still accounts for its investments in associate, it should reclassify the amount previously recognized in other comprehensive income to profit or loss proportionally.

When TWM transacts with its associates, profits and losses resulting from the transactions with the associates are recognized in TWM's financial statements only to the extent that interests in the associates are not related to TWM.

Investments in Subsidiaries

TWM uses the equity method to account for its investments in subsidiaries.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize TWM's share of the profit or loss and other comprehensive income of the subsidiary. TWM also recognizes the changes in TWM's share of equity of subsidiaries. The profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

Changes in TWM's ownership interest in a subsidiary that do not result in TWM losing control of the subsidiary are equity transactions. TWM recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When TWM loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, TWM shall account for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if TWM had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to TWM.

Property, Plant and Equipment

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.

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

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.

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 12 to the 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. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation methods, useful lives, and residual values are the same as plant, property and equipment.

Leases

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

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

Intangible Assets

a. Goodwill

   Goodwill acquired in a business combination is recognized at the acquisition date, and is measured at cost less accumulated impairment losses.

b. 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.

c. Amortization and derecognition of intangible assets

   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 14 to the 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.

   On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Incremental Costs of Obtaining a Contract

Only when a contract is obtained, sales commissions and subsidies of telecommunication services are recognized as incremental costs of obtaining a contract to the extent the amounts are expected to be recovered, and are amortized on a straight-line basis over the life of the contract. However, TWM elects not to capitalize the incremental costs of obtaining a contract if the amortization period of the assets that TWM otherwise would have recognized is expected to be one year or less.

Impairment of Non-financial Assets

a. Goodwill

   Impairment of goodwill is required to be tested at least annually. Goodwill shall be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit. If the recoverable amount of the cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

b. Other tangible, intangible assets, and incremental costs of obtaining a contract

   At the end of each reporting period, TWM reviews the carrying amounts of those assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, TWM estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate.

   If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

A provision is recognized if, as a result of a past event, TWM 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 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 TWM for a period of time and had obligations for dismantling, relocating, and restoring to the previous state should be recognized as an addition to the assets and accrued as a potential liability accordingly.

b. Warranties

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

Treasury Stock

Repurchased stocks are recognized under treasury stock (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. TWM's stocks held by its subsidiaries are regarded as treasury stock.

Gains on disposal of treasury stock should be recognized under "capital reserve - treasury stock transactions"; losses on disposal of treasury stock should be offset against existing capital reserves arising from similar types of treasury stock. 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 stock should be calculated using the weighted-average method for the purpose of repurchased stock.

Government Grants

Government grants are not recognized until there is reasonable assurance that TWM 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 TWM recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that TWM 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; or recognized as a book value deduction of the non-current assets and classified as profit or loss within their useful lives through deducting depreciation expenses of the related non-current assets.

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

Employee Benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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 remeasurement) 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. Remeasurement (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 reclassified to profit or loss subsequently.

Net defined benefit liability (asset) is the deficit (surplus) of defined benefit plans. IAS 19 requires TWM 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.

A liability for a termination benefit is recognized at the earlier of when TWM can no longer withdraw the offer of the termination benefit and when TWM recognizes any related restructuring costs.

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), as well as tax adjustments related to prior years.

   An additional surtax on undistributed earnings, computed according to the ROC Income Tax Act, is recognized in current taxes in the year of approval by a stockholders' 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 basis. Deferred tax assets are generally recognized for all deductible temporary differences and research and development expenditures 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.

Revenue

2018

Where TWM enters into transactions which involve both the provision of telecommunications service bundled with products such as handsets, total consideration received from products and telecommunications service in these arrangements is allocated based on their relative stand-alone selling price. The amount of sales revenue recognized for products is not limited to the amount paid by the customer for the products at the time of purchase. When the amount of sales revenue recognized for products exceeds the amount paid by the customer for the products, the difference is recognized as a contract asset. A contract asset is derecognized and an account receivable is recognized when the amount becomes collectible from the customer subsequently. When the amount of sales revenue recognized for products is less than the amount paid by the customer for the products, the difference is recognized as contract liabilities and the revenue is recognized subsequently when the telecommunications service is provided.

Telecommunications and value-added services revenue

Service revenues from telecommunications services are billed at predetermined rates and calculated by the actual volume of voice call and data transfer. Revenues from postpaid users are accrued monthly. Revenues from prepaid users are recognized based on the actual usage. The advanced receipts obtained before services are rendered are recognized as contract liabilities and reclassified as revenues when services are rendered. Interconnection and call transfer fees from other telecommunications companies and carriers are billed and recognized based upon seconds or minutes of traffic processed when the services are provided in accordance with contract terms. The usage revenues and corresponding trade notes and accounts receivable are recognized monthly.

Revenue from sale of goods

Revenues from sale of goods are mainly generated from physical stores and e-commerce platform. Revenues are recognized when the goods are transferred or delivered to the customers. Advance receipts obtained before goods are transferred or delivered are recognized as contract liabilities, and reclassified as revenue when the goods are transferred or delivered.

Other operating income

TWM recognizes advance receipts obtained before contracts are initiated as contract liabilities, and contract liabilities are transferred into revenue after the completion of usage or over the term of the relevant lease.

Service revenues generated from contractual agreements are recognized as revenue as services are rendered based on the completion of the contracts and TWM does not have any further obligations. In addition, when TWM is acting as an agent in the transaction, proportional revenue is recognized based on the net amount in accordance with the contractual agreements proportionally.

2017

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.

Telecommunications services are billed at predetermined rates and calculated by the actual return of voice call and data transfer.

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.

a. TWM has transferred the significant risks and rewards of ownership to the counterparty;

b. TWM will not be involved in any control activities and will not maintain effective control over the goods sold;

c. The amount can be reliably measured;

d. Economic benefits relevant to the transactions will probably flow to TWM;

e. 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.

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

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

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.

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements 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 assessments, TWM relies on subjective judgment to determine the individual cash flows of a specific group of assets and estimates future gains and losses according to the usage of the assets and relevant business characteristics. Alterations of estimates from any changes in economic conditions or business strategy may lead to significant impairment losses 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 the present value. Significant impairment loss may occur if actual cash flows are less than forecasted.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand and revolving funds	$ 153,869	$ 156,113
Cash in banks	1,234,509	672,161
Time deposits	30,790	119,080
	$ 1,419,168	$ 947,354

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Investments in equity instruments - current	
Domestic investments	
Listed stocks	$ 245,607
Investments in equity instruments - non-current	
Domestic investments	
Listed stocks	$ 1,022,960
Foreign investments	
Limited partnerships	775,385
Unlisted stocks	28,387
	$ 1,826,732

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believed that recognizing short-term fluctuations from these investments' fair value in profit or loss would not be consistent with TWM's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3 and Note 8 for information relating to their reclassification and comparative information for 2017.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Domestic listed stocks	$ 1,709,977
Limited partnerships	785,065
	$ 2,495,042
Current	$ 230,392
Non-current	2,264,650
	$ 2,495,042

9. ACCOUNTS AND NOTES RECEIVABLE, NET

	December 31	
	2018	2017
Notes receivable	$ 6,400	$ 1,933
Accounts receivable	6,512,251	13,917,517
Less: Allowance for impairment loss	(455,722)	(519,010)
	$ 6,062,929	$ 13,400,440

For the Year Ended December 31, 2018

The main credit terms range from 30 to 90 days.

TWM serves a large consumer base for telecommunications business; therefore, the concentration of credit risk is limited. When performing transactions with customers, TWM considers the record of arrears in the past. In addition, TWM may also collect some telecommunication charges in advance to reduce the risk of payment arrears in subsequent periods.

TWM adopted a policy of dealing with counterparties with considerable scale of operations, certain credit ratings and financial conditions for project business. In addition to examining publicly available financial information and its own historical transaction experience, TWM obtains collateral where necessary to mitigate the risk of loss arising from default. TWM continues to monitor the credit exposure and financial and credit conditions of its counterparties, and spreads the total amount of the transactions among qualified counterparties.

In order to mitigate credit risk, the management of TWM has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure the recoverability of receivables. In addition, TWM reviews the recoverable amount of trade receivables at balance sheet dates to ensure that adequate allowance is provided for possible irrecoverable amounts. In this regard, the management believes TWM’s credit risk could be reasonably reduced.

TWM applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected credit loss provision for receivables. The expected credit losses on trade receivables are estimated using a provision matrix with reference to past default experiences of the customers and an analysis of the customers' current financial positions, as well as forward-looking indicators such as the industrial economic conditions. As TWM's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision matrix does not distinguish customer segments. As a result, the expected credit loss rate is based on the number of past due days of trade receivables.

TWM writes off a trade receivable when there are evidences indicating that the counterparty is in severe financial difficulty and the trade receivable is considered uncollectible. For trade receivables that have been written off, TWM continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Movements of allowance for doubtful notes and accounts receivables by individual and collective assessment were as follows:

December 31, 2018

	Not Past Due	Overdue			Total
		1 to 120 days	121 to 365 days	Over 365 days	
Gross carrying amount	$ 5,849,476	$ 405,234	$ 258,887	$ 5,054	$ 6,518,651
Loss allowance (Lifetime ECL)	(52,287)	(151,659)	(246,722)	(5,054)	(455,722)
Amortized cost	$ 5,797,189	$ 253,575	$ 12,165	$ -	$ 6,062,929

Expected credit loss rate

	Not Past Due and Past Due within 120 Days	Past Due Over 120 Days
Telecommunications service	0.85%-85%	89.47%-100%

Movements of the loss allowance of notes and accounts receivable were as follows:

	For the Year Ended December 31, 2018
Beginning balance (IAS 39)	$ 519,010
Effect of retrospective application of IFRS 9	(56,318)
Beginning balance (IFRS 9)	462,692
Add: Provision	421,236
Recovery	11,882
Less: Write-off	(440,088)
Ending balance	$ 455,722

For the Year Ended December 31, 2017

TWM's credit policy in 2017 was as same as the aforementioned credit policy in 2018.

The net accounts receivable aging analysis of TWM was as follows:

	December 31, 2017
Neither past due nor impaired	$13,182,138
Past due but not impaired	
Past due within 30 days	149,941
Past due 31-60 days	30,807
Past due 61-120 days	21,738
Past due 121-180 days	8,400
Past due over 180 days	5,483
	$13,398,507

Movements of allowance for doubtful receivables by individual and collective assessment were as follows:

	For the Year Ended December 31, 2017
Beginning balance	$ 599,523
Add: Provision	352,447
Recovery	19,110
Less: Write-off	(452,070)
Ending balance	$ 519,010

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

	For the Year Ended December 31	
	2018	2017
Amount of accounts receivable sold	$ 619,249	$ 724,498
Proceeds of the sale of accounts receivable	$ 37,506	$ 43,835

10. INVENTORIES

	December 31	
	2018	2017
Merchandise	$ 2,302,693	$ 3,273,982
Materials for maintenance	8,787	12,356
	$ 2,311,480	$ 3,286,338

For the years ended December 31, 2018 and 2017, the cost of goods sold recognized in comprehensive income amounted to $17,451,073 thousand and $21,771,336 thousand, respectively, which included the inventory write-down, totaling $20,690 thousand, and the reversal of inventory write-down, totaling $113,984 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2018	2017
Subsidiaries	$ 41,956,153	$ 40,791,169
Associates		
Alliance Digital Tech Co., Ltd. (ADT)	8,636	14,451
	$ 41,964,789	$ 40,805,620

a. Subsidiaries

Please refer to the consolidated financial statements for the years ended December 31, 2018 and 2017.

b. Associates

Aggregate information of associates that were not individually material:

	December 31	
	2018	2017
TWM's share of:		
Loss	$ (5,815)	$ (19,417)
Comprehensive loss	$ (5,815)	$ (19,417)

In November 2013, TWM acquired 19.23% equity interests of ADT.

In 2014, TWM's percentage of ownership interests in ADT decreased to 13.33% as TWM did not subscribe for any newly issued ADT stock. In December 2016, TWM increased its percentage of ownership interests in ADT to 14.40% by subscribing for new stock issued by ADT. TWM still has significant influence on ADT due to having a seat on ADT's board of directors.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Telecommuni-cations Equipment and Machinery	Miscellaneous Equipment	Construction in Progress and Equipment to Be Inspected	Total
Cost						
Balance, January 1, 2018	$ 3,209,754	$ 2,018,658	$ 66,497,117	$ 5,070,819	$ 734,225	$ 77,530,573
Additions	71	33	21,256	275,838	4,796,553	5,093,751
Reclassification	(12,958)	7,971	4,887,733	36,078	(4,919,710)	(886)
Disposals and retirements	(4,772)	(2,885)	(3,176,389)	(286,465)	(1,025)	(3,471,536)
Balance, December 31, 2018	$ 3,192,095	$ 2,023,777	$ 68,229,717	$ 5,096,270	$ 610,043	$ 79,151,902
Accumulated depreciation and impairment						
Balance, January 1, 2018	$ 67,281	$ 865,414	$ 48,460,290	$ 3,943,923	$ -	$ 53,336,908
Depreciation	-	36,001	6,599,979	363,702	-	6,999,682
Reversal of Impairment loss	(78,160)	(20,904)	-	-	-	(99,064)
Reclassification	12,541	(3,166)	-	-	-	9,375
Disposals and retirements	-	(1,095)	(3,066,219)	(277,559)	-	(3,344,873)
Balance, December 31, 2018	$ 1,662	$ 876,250	$ 51,994,050	$ 4,030,066	$ -	$ 56,902,028
Carrying amount, December 31, 2018	$ 3,190,433	$ 1,147,527	$ 16,235,667	$ 1,066,204	$ 610,043	$ 22,249,874

(Continued)

	Land	Buildings	Telecommunications Equipment and Machinery	Miscellaneous Equipment	Construction in Progress and Equipment to Be Inspected	Total
Cost						
Balance, January 1, 2017	$ 3,222,533	$ 2,031,649	$ 73,612,108	$ 5,309,362	$ 1,252,452	$ 85,428,104
Additions	-	-	38,147	355,982	4,936,417	5,330,546
Reclassification	(3,055)	(3,794)	5,397,865	63,065	(5,453,477)	604
Disposals and retirements	(9,724)	(9,197)	(12,551,003)	(657,590)	(1,167)	(13,228,681)
Balance, December 31, 2017	$ 3,209,754	$ 2,018,658	$ 66,497,117	$ 5,070,819	$ 734,225	$ 77,530,573
Accumulated depreciation and impairment						
Balance, January 1, 2017	$ 67,281	$ 830,706	$ 53,273,384	$ 4,175,106	$ -	$ 58,346,477
Depreciation	-	39,615	7,373,698	416,413	-	7,829,726
Reclassification	-	(1,491)	-	223	-	(1,268)
Disposals and retirements	-	(3,416)	(12,186,792)	(647,819)	-	(12,838,027)
Balance, December 31, 2017	$ 67,281	$ 865,414	$ 48,460,290	$ 3,943,923	$ -	$ 53,336,908
Carrying amount, December 31, 2017	$ 3,142,473	$ 1,153,244	$ 18,036,827	$ 1,126,896	$ 734,225	$ 24,193,665

(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	50-55 years
Mechanical and electrical equipment	15 years
Telecommunications equipment and machinery	2-15 years
Miscellaneous equipment	2-20 years

b. The fair values of parts of TWM's properties (land and buildings) were measured using Level 3 inputs using income approach and comparative approach by HomeBan Appraisers Joint Firm. As the recoverable amount, fair value less cost to sell, is higher than the carrying amount, an impairment loss is reversed to the extent of the impairment losses that have been recognized in previous years. For the year ended December 31, 2018, the reversal of impairment loss of $99,064 thousand was included in other gains and losses in the statement of comprehensive income.

13. INVESTMENT PROPERTIES

TWM leases its properties to others and thus reclassifies them from property, plant and equipment to investment property.

The fair values of investment properties were measured using Level 3 inputs, using income approach, comparative approach, and cost approach by HomeBan Appraisers Joint Firm. As of December 31, 2018 and 2017, the fair values of investment properties were $7,351,306 thousand and $6,947,634 thousand, respectively, and the capitalization rates for the years were 1.18%-4.42% and 1.35%-4.40%, respectively. As the recoverable amount, fair value less cost to sell, is higher than the carrying amount, an impairment loss is reversed to the extent of the impairment losses that have been recognized in previous years. For the year ended December 31, 2018, the reversal of impairment loss of $4,522 thousand was included in other gains and losses in the statement of comprehensive income.

The amount of depreciation recognized for the years ended December 31, 2018 and 2017 were $20,947 thousand and $25,183 thousand, respectively.

14. INTANGIBLE ASSETS

	Concession Licenses	Goodwill	Computer Software	Other Intangible Assets	Total
Cost					
Balance, January 1, 2018	$ 51,324,375	$ 7,121,871	$ 2,827,743	$ -	$ 61,273,989
Addition	-	-	202,239	600	202,839
Disposals and retirements	(10,281,000)	-	(102,013)	-	(10,383,013)
Reclassification	-	-	200,789	5,400	206,189
Balance, December 31, 2018	$ 41,043,375	$ 7,121,871	$ 3,128,758	$ 6,000	$ 51,300,004
Accumulated amortization and impairment					
Balance, January 1, 2018	$ 14,981,287	$ -	$ 2,288,079	$ -	$ 17,269,366
Amortization	2,838,369	-	389,408	4,800	3,232,577
Disposals and retirements	(10,156,382)	-	(98,629)	-	(10,255,011)
Balance, December 31, 2018	$ 7,663,274	$ -	$ 2,578,858	$ 4,800	$ 10,246,932
Carrying amount, December 31, 2018	$ 33,380,101	$ 7,121,871	$ 549,900	$ 1,200	$ 41,053,072
Cost					
Balance, January 1, 2017	$ 42,724,375	$ 7,121,871	$ 2,675,574	$ -	$ 52,521,820
Addition	8,600,000	-	157,993	-	8,757,993
Disposals and retirements	-	-	(225,453)	-	(225,453)
Reclassification	-	-	219,629	-	219,629
Balance, December 31, 2017	$ 51,324,375	$ 7,121,871	$ 2,827,743	$ -	$ 61,273,989
Accumulated amortization and impairment					
Balance, January 1, 2017	$ 12,366,275	$ -	$ 2,115,637	$ -	$ 14,481,912
Amortization	2,615,012	-	398,119	-	3,013,131
Disposals and retirements	-	-	(225,453)	-	(225,453)
Reclassification	-	-	(224)	-	(224)
Balance, December 31, 2017	$ 14,981,287	$ -	$ 2,288,079	$ -	$ 17,269,366
Carrying amount, December 31, 2017	$ 36,343,088	$ 7,121,871	$ 539,664	$ -	$ 44,004,623

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

Concession licenses	14-17 years
Computer software	2-6 years
Other intangible assets - copyrights	Amortized over the broadcast period

a. Concession licenses

The 3G concession license terminated on December 31, 2018.

On November 15, 2017, TWM acquired the 4G concession license for the 2100 MHz frequency bands in the mobile broadband spectrum and paid $8,600,000 thousand as the bid price.

b. Goodwill

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

c. Impairment of assets

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

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

1) 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.

2) Assumptions on operating revenues

After taking changes in the telecom industry and the 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 rate plan composition.

3) 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.

4) Assumptions on discount rates

For the years ended December 31, 2018 and 2017, the discount rates used to calculate the recoverable amount for the asset’s cash-generating unit were 5.92% and 6.81%, respectively.

Based on the key assumptions of the cash-generating unit, TWM’s management believes that the carrying amounts of these operating assets and intangible assets will not exceed their recoverable amounts even if there are any reasonable changes in the critical assumptions used to estimate recoverable amounts. Thus, there was no impairment of such assets for the years ended December 31, 2018 and 2017.

15. OTHER NON-CURRENT ASSETS

	December 31	
	2018	**2017**
Long-term accounts receivable	$ -	$ 3,992,035
Refundable deposits	400,797	413,988
Prepayments for equipment	24,422	44,211
Others	720	720
	$ 425,939	$ 4,450,954

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	**2017**
Unsecured loans - financing institution	$ 9,300,000	$ 9,600,000
Unsecured loans - related parties	9,988,000	7,830,000
	$ 19,288,000	$ 17,430,000
Annual interest rate - financing institution	0.7%-0.96%	0.7%-0.98%
Annual interest rate - related parties	1.09433%-1.09511%	1.09267%-1.09311%

For the information on related party loan, see Note 28.

b. Short-term notes and bills payable

	December 31	
	2018	**2017**
Short-term notes and bills payable	$ 1,500,000	$ 5,600,000
Less: Discounts on short-term notes and bills payable	(1,008)	(4,108)
	$ 1,498,992	$ 5,595,892
Annual interest rate	0.788%-0.798%	0.528%-0.75%

c. Long-term borrowings

	December 31	
	2018	**2017**
Unsecured loans	$ 8,000,000	$ 19,000,000
Less: Current portion	(2,000,000)	(8,000,000)
	$ 6,000,000	$ 11,000,000
Annual interest rate:		
Unsecured loans	0.75%-1.07%	0.72%-1.26%

TWM entered into credit facility agreements with a group of banks for mid-term requirements of operating capital and the interest is paid periodically. Under certain credit agreements, the loans are treated as revolving credit facilities, and the maturity dates of the loans are based on terms under the agreements. In addition, the expiry date of the repayments is in July 2021, and some credit facilities are subject to financial covenants regarding debt ratios and interest protection multiples during the credit facility period.

17. BONDS PAYABLE

	December 31	
	2018	**2017**
3rd domestic unsecured straight corporate bonds	$ 4,499,680	$ 8,998,958
4th domestic unsecured straight corporate bonds	-	2,899,901
5th domestic unsecured straight corporate bonds	14,986,357	-
3rd domestic unsecured convertible bonds	9,432,780	9,650,076
Less: Current portion	(4,499,680)	(7,399,528)
	$ 24,419,137	$ 14,149,407

a. 3rd domestic unsecured straight corporate bonds

On December 20, 2012, TWM issued $9,000,000 thousand of seven-year 3rd domestic unsecured straight corporate bonds; each bond had 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 in equal installments, i.e., $4,500,000 thousand. As of December 31, 2018, the amount of unamortized bond issue cost was $320 thousand. The trustee of bond holders is Hua Nan Commercial Bank.

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

Year	**Amount**
2019	$ 4,500,000

b. 4th domestic unsecured straight corporate bonds

On April 25, 2013, TWM issued $5,800,000 thousand of five-year 4th domestic unsecured straight corporate 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. The trustee of bond holders is Hua Nan Commercial Bank.

The above-mentioned corporate bonds were fully liquidated in April 2018.

c. 5th domestic unsecured straight corporate bonds

On April 20, 2018, TWM issued 5th domestic unsecured straight corporate bonds. The bonds included five-year and seven-year bonds, with the principal amount of $6,000,000 thousand and $9,000,000 thousand, each having a face value of $10,000 thousand, and coupon rates of 0.848% and 1% per annum, respectively, with simple interest due annually. Repayment will be made in full at maturity. As of December 31, 2018, the amount of unamortized bond issue cost was $13,643 thousand. The trustee of bond holders is Bank of Taiwan.

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

Year	**Amount**
2023	$ 6,000,000
2025	9,000,000
	$ 15,000,000

d. 3rd domestic unsecured convertible bonds

On November 22, 2016, TWM issued its 3rd domestic five-year unsecured zero-coupon convertible bonds with an aggregate principal amount of $10,000,000 thousand and a par value of $100 thousand per bond certificate. The conversion price is set initially at $116.1 per share. The conversion price should be adjusted according to the prescribed formula and has been adjusted to $104.7 per share since July 16, 2018. Except for the book closure period, bondholders are entitled to convert bonds into TWM's common stock from December 23, 2016 to November 22, 2021. The trustee of bond holders is Bank of Taiwan.

If the closing price of TWM's common stock continues being at least 130% of the conversion price then in effect for 30 consecutive trading days or the aggregate outstanding balance of bonds payable is less than 10% of the original issuance amount, TWM has the right to redeem the outstanding bonds payable at par value in cash during the period from one month after the issuance date to the date 40 days prior to the maturity date.

At the end of the third year from the bond issuance date, bondholders have the right to request TWM to redeem the convertible bonds at par value in cash.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 0.9149% per annum on initial recognition. As of December 31, 2018, the amount of unamortized bond discount was $253,020 thousand.

Proceeds of the issuance (minus transaction costs $10,870 thousand)	$ 9,989,130
Equity component	(400,564)
Financial liabilities	(35,961)
Liability component at the date of issuance	9,552,605
Interest charged at an effective interest rate	97,471
Liability component on December 31, 2017	9,650,076
Interest charged at an effective interest rate	88,288
Convertible bonds converted into common stock	(305,584)
Liability component on December 31, 2018	$ 9,432,780

As of December 31, 2018, the bondholders had requested to convert the bonds at face value of $314,200 thousand.

18. PROVISIONS

	December 31	
	2018	2017
Restoration	$ 743,023	$ 779,306
Warranties	67,929	128,412
	$ 810,952	$ 907,718
Current	$ 91,836	$ 153,792
Non-current	719,116	753,926
	$ 810,952	$ 907,718

	Restoration	Warranties	Total
Balance, January 1, 2018	$ 779,306	$ 128,412	$ 907,718
Provision	21,673	92,463	114,137
Payment/Reversal	(59,982)	(152,946)	(212,928)
Unwinding of discount	2,026	-	2,026
Balance, December 31, 2018	$ 743,023	$ 67,929	$ 810,952
Balance, January 1, 2017	$ 768,488	$ 161,066	$ 929,554
Provision	39,916	157,602	197,518
Payment/Reversal	(32,039)	(190,256)	(222,295)
Unwinding of discount	2,941	-	2,941
Balance, December 31, 2017	$ 779,306	$ 128,412	$ 907,718

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Domestic firms of TWM adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed and defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. In accordance with the above provision, TWM's contribution to the pension plan amounted to $155,076 thousand and $155,088 thousand for the years ended December 31, 2018 and 2017, respectively.

b. Defined benefit plans

TWM 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 "Plans"). The Plans provide defined pension benefits for the TWM's certain qualified employees, specified under the Labor Standards Law, and such benefits are determined based on an employee's years of service and average monthly salary for six-month period prior to the date of retirement. Before the end of each year, TWM 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, TWM will fund the difference in one appropriation before the end of March of the following year. The Funds are operated and managed by the government's designated authorities; as such, TWM does not have any right to participate in the operation of the Funds.

The defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligations	$ 845,191	$ 756,290
Fair value of plan assets	(563,028)	(539,224)
Net defined benefit liabilities	$ 282,163	$ 217,066

The movements in present value of defined benefit obligations for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Balance, January 1	$ 756,290	$ 708,645
Current service costs	1,363	1,259
Interest costs	11,344	10,630
Actuarial loss - changes in demographic assumptions	52,386	42,646
Actuarial loss - changes in financial assumptions	28,586	-
Actuarial loss - experience adjustments	13,873	2,964
Benefits paid from plan assets	(18,651)	(9,854)
Balance, December 31	$ 845,191	$ 756,290

The movements in the fair value of the plan assets for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Balance, January 1	$ 539,224	$ 522,927
Net interest income	8,250	8,007
Return on plan assets (excluding amounts included in net interest)	13,389	(2,878)
Contributions from the employer	20,816	21,022
Benefits paid from plan assets	(18,651)	(9,854)
Balance, December 31	$ 563,028	$ 539,224

The expenses recognized in profit or loss for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	2017
Current service costs	$ 1,363	$ 1,259
Interest costs	11,344	10,630
Net interest income	(8,250)	(8,007)
	$ 4,457	$ 3,882

The pre-tax remeasurements recognized in other comprehensive income (loss) for the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31	
	2018	**2017**
Return on plan assets (excluding amounts included in net interest)	$ (13,389)	$ 2,878
Actuarial loss - changes in demographic assumptions	52,386	42,646
Actuarial loss - changes in financial assumptions	28,586	-
Actuarial loss - experience adjustments	13,873	2,964
	$ 81,456	$ 48,488

Through the defined benefit plans under the Labor Standards Law, TWM 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 actuarial present values of the defined benefit obligation were carried out by the chartered actuary.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	December 31	
	2018	**2017**
Discount rate	1.25%	1.5%
Long-term average adjustment rate of salary	2.75%	2.75%

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	
	2018	**2017**
Discount rate		
0.25% increase	$ (30,042)	$ (27,923)
0.25% decrease	$ 31,392	$ 29,217
Long-term average adjustment rate of salary		
0.25% increase	$ 30,453	$ 28,423
0.25% decrease	$ (29,306)	$ (27,314)

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	
	2018	**2017**
The expected contributions to the Plan for the following year	$ 21,293	$ 21,594
The average duration of the defined benefit obligation	14.2 years	14.5 years

20. EQUITY

a. Common stock

As of December 31, 2018 and 2017, the TWM's capital authorized was $60,000,000 thousand and capital issued and outstanding was $34,208,519 thousand and $34,208,328 thousand, respectively. The issued capital was divided into 3,420,852 thousand shares and 3,420,833 thousand shares, respectively, which were all common stocks, at a par value of $10.

As of December 31, 2018, the bondholders of 3rd domestic unsecured convertible bonds had requested to convert the bonds into 3,001 thousand common stocks. TWM recognized 2,982 thousand of common stocks as capital collected in advance, totaling $29,819 thousand. TWM would complete the amendment registration after the issuance of new stocks on the record date in accordance with the regulations.

b. Capital surplus

	December 31	
	2018	**2017**
Additional paid-in capital from convertible corporate bonds	$ 6,363,714	$ 7,708,764
Treasury stock transactions	5,159,704	5,159,704
Difference between consideration and carrying amount arising from the disposal of subsidiaries' stock	85,965	85,965
Changes in equity of subsidiaries	501,215	511,562
Convertible bonds payable options	387,979	400,564
Changes in equity of associates accounted for using equity method	48,147	39,767
Others	33,968	32,952
	$ 12,580,692	$ 13,939,278

Under the ROC 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' stock acquired or disposed of, and treasury stock 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, changes in equity of associates accounted for using equity method and the overdue unclaimed dividends could also be applied to make-up accumulated deficit, if any. And the other capital surplus cannot be used by any means.

c. Appropriation of earnings and dividend policy

In accordance with the policy, TWM's profits earned in a fiscal year shall first be set aside to pay the applicable taxes, offset losses, and set aside for legal reserve pursuant to laws and regulations, unless the legal reserve has reached TWM's total paid-up capital. The remaining profits shall be set aside for special reserve in accordance with laws, regulations, or business requirements. Any further remaining profits plus unappropriated earnings shall be distributed in accordance with the proposal submitted by the Board of Directors for approval at a stockholders' meeting.

TWM adopts a dividend distribution policy whereby only surplus profits of TWM shall be distributed to stockholders. 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 of Directors, who shall, upon such approval, recommend the same to the stockholders for approval by resolution at the stockholders' meetings.

The above appropriation of earnings should be resolved in the annual general stockholders' meeting ("AGM") held in the following year.

According to the ROC Company Act, a company shall first set aside its earning for legal reserve until it equals the paid-in capital. The legal reserve may offset losses. After offsetting any deficit, the legal reserve may be transferred to capital and distributed as stock dividends or cash dividends for the amount in excess of 25% of the paid-in capital pursuant to a resolution adopted in the stockholders' 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.

The 2017 and 2016 earnings appropriations having been resolved in the AGM on June 12, 2018 and June 14, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2017	**For Fiscal Year 2016**	**For Fiscal Year 2017**	**For Fiscal Year 2016**
Appropriation of legal reserve	$ 1,419,218	$ 1,532,018		
Reversal from special reserve	(327,331)	(483,920)		
Cash dividends to stockholders	13,610,406	14,176,599	$ 5	$ 5.208

The cash dividends of $5 and $5.208 per share mentioned above have been distributed from unappropriated earnings for 2017 and 2016, respectively. In addition, the AGM resolved another cash appropriation from the capital surplus generated from the excess of the issuance price over the par value of capital stock amounting to $1,633,249 thousand and $1,067,056 thousand, that is, $0.6 and $0.392 per share. Total appropriations distributed were $5.6 per share for 2017 and 2016.

TWM's 2018 earnings appropriations will be proposed by the 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 Financial Assets at FVTOCI	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total
Balance, January 1, 2018	$ (16,499)	$ -	$ (346,204)	$ (362,703)
Effect of retrospective application of IFRS 9	-	(281,785)	346,204	64,419
Adjusted balance, January 1, 2018	(16,499)	(281,785)	-	(298,284)
Exchange differences on translation	(7,235)	-	-	(7,235)
Changes in fair value of financial assets at FVTOCI	-	226,082	-	226,082
Changes in other comprehensive income (loss) of associates accounted for using equity method	(664)	(14,247)	-	(14,911)
Reclassification of loss on disposal of equity instruments to retained earnings	-	(1,825)	-	(1,825)
Income tax effect	-	792	-	792
Balance, December 31, 2018	$ (24,398)	$ (70,983)	$ -	$ (95,381)
Balance, January 1, 2017	$ (9,133)	$ -	$ (680,901)	$ (690,034)
Exchange differences on translation	(7,219)	-	-	(7,219)
Changes in fair value of available-for-sale financial assets	-	-	372,471	372,471
Changes in other comprehensive income (loss) of associates accounted for using equity method	(147)	-	(37,774)	(37,921)
Balance, December 31, 2017	$ (16,499)	$ -	$ (346,204)	$ (362,703)

e. Treasury stock

As of December 31, 2018 and 2017, TWM’s stocks held for the investment purposes by TCCI, TUI and TID, which are all wholly-owned by TWM, were 698,752 thousand shares, and the market values were $74,417,046 thousand and $75,115,797 thousand, respectively. Since TWM’s stocks held by its subsidiaries are regarded as treasury stock, TWM recognized $29,717,344 thousand, as treasury stock. For those treasury stock 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 and exercise the voting rights over such treasury stock.

21. OPERATING REVENUES

	For the Year Ended December 31	
	2018	**2017**
Revenue from contracts with customers		
Telecommunications and value-added services	$ 49,114,766	$ 54,261,344
Sales revenue	16,264,875	19,350,932
Other operating revenues	165,986	-
	$ 65,545,627	$ 73,612,276

a. Contract information

Please refer to Note 4.

b. Contract balances

	December 31, 2018
Contract assets	
Bundle sales	$ 8,735,048
Less: Allowance for impairment loss	(74,248)
	$ 8,660,800
Current	$ 5,460,190
Non-current	3,200,610
	$ 8,660,800

For accounts and notes receivable, please refer to Note 9.

	December 31, 2018
Contract liabilities - current	
Telecommunications and value-added services	$ 1,126,758
Sales of goods	25,573
	$ 1,152,331

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between TWM's performance and the respective customer's payment. Other significant changes are as follows:

	December 31, 2018
Contract assets	
Transfers of beginning balance to receivables	$ (6,230,115)

TWM applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected loss provision for the contract assets. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, TWM concluded that the expected loss rates for trade receivables can be applied to the contract assets. As of December 31, 2018, the gross carrying amount of the contract assets was $8,735,048 thousand, the expected credit loss rate was 0.85%, and the allowance for impairment loss was $74,248 thousand.

The movements of the allowance of contract assets are as follows:

	For the Year Ended December 31, 2018
Beginning balance (IAS 39)	$ -
Effect of retrospective application of IFRS 9	90,541
Beginning balance (IFRS 9)	90,541
Less: Recovery	(16,293)
Ending balance	$ 74,248

Revenue of the reporting period recognized from the beginning contract liabilities is as follows:

	For the Year Ended December 31, 2018
Contract liabilities	
Telecommunications and value-added services	$ 1,562,257
Sales of goods	21,211
	$ 1,583,468

c. Partially completed contracts

The transaction prices allocated to the performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as follows:

December 31, 2018	Telecommunications and Value-added Services	Sales of Goods	Total
- in 2019	$ 18,895,312	$ 25,248	$ 18,920,560
- in 2020	7,174,016	191	7,174,207
- after 2020	727,773	134	727,907
	$ 26,797,101	$ 25,573	$26,822,674

The above information does not include contracts with expected durations which are equal to or less than one year.

d. Incremental costs of obtaining a contract

	December 31, 2018
Incremental costs of obtaining a contract - non-current	$ 2,884,482

TWM considered the past experience and the default clauses in the sale contracts and believed the commission paid for obtaining a contract is wholly recoverable. Amortization recognized for the year ended December 31, 2018 was $3,340,003 thousand.

22. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Year Ended December 31	
	2018	2017
Rental income	$ 52,344	$ 222,340
Interest income	12,331	12,176
Dividend income	10,424	10,741
Other income	6,934	4,677
	$ 82,033	$ 249,934

b. Other gains and losses, net

	For the Year Ended December 31	
	2018	2017
Loss on disposal of property, plant and equipment, net	$ (95,769)	$ (351,200)
Loss on disposal of intangible assets, net	(128,002)	-
Valuation gain on financial assets at FVTPL	8,061	32,000
Reversal of impairment loss on property, plant and equipment	99,064	-
Reversal of impairment loss on investment property	4,522	-
Loss on foreign exchange	(5,240)	(31,566)
Estimated loss from lawsuits	-	(765,779)
Others	(3,021)	(38,713)
	$ (120,385)	$ (1,155,258)

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest expense		
Bank loans	$ 159,552	$ 223,877
Corporate bonds	319,895	258,960
Related parties	99,996	84,866
Others	23,929	38,043
	603,372	605,746
Less: Capitalized interest	(6,021)	(3,057)
	$ 597,351	$ 602,689
Capitalization rates	1.34%	1.34%

23. INCOME TAX

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2018	2017
Current income tax expense		
Current period	$ 1,715,616	$ 1,604,491
Prior years' adjustment	3,472	(36,916)
Others	(41,450)	-
	1,677,638	1,567,575
Deferred income tax expense		
Temporary differences	241,829	6,837
Changes in tax rates	(24,576)	-
	217,253	6,837
Income tax expense	$ 1,894,891	$ 1,574,412

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

	For the Year Ended December 31	
	2018	2017
Profit before tax	$ 15,537,063	$ 15,766,588
Income tax expense at domestic statutory tax rate (20% and 17% for the years ended 2018 and 2017, respectively)	$ 3,107,413	$ 2,680,320
Adjustment items in determining taxable profit	(1,357,429)	(911,494)
Temporary differences	241,829	6,837
Changes in tax rates	(24,576)	-
Investment tax credits	(34,431)	(219,560)
Prior years' other adjustments	3,472	17,974
Land value increment tax	63	335
Others	(41,450)	-
	$ 1,894,891	$ 1,574,412

The corporate income tax rate was adjusted from 17% to 20% after the amendment of the Income Tax Law in the ROC on January 1, 2018. The effect of such tax rate change on deferred income tax was recognized in profit or loss. In addition, the tax rate applicable to the undistributed portion of earnings to be made in 2018 and thereafter will be reduced from 10% to 5%.

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

	For the Year Ended December 31	
	2018	**2017**
Deferred income tax income		
Unrealized gain (loss) on financial assets at FVTOCI	$ 2,829	$ -
Changes in tax rates - Remeasurements from defined benefit plans	9,298	-
Remeasurements from defined benefit plans	16,291	8,243
	$ 28,418	$ 8,243

c. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2018 and 2017 were as follows:

	Property, Plant and Equipment	**Defined Benefit Plans**	**Others**	**Total**
Deferred tax assets				
Balance, January 1, 2018	$ 388,872	$ 36,901	$ 202,736	$ 628,509
Recognized in profit or loss	(100,734)	(6,057)	17,407	(89,384)
Recognized in other comprehensive income (loss)	-	25,589	2,829	28,418
Balance, December 31, 2018	$ 288,138	$ 56,433	$ 222,972	$ 567,543
Balance, January 1, 2017	$ 477,834	$ 31,572	$ 72,189	$ 581,595
Recognized in profit or loss	(88,962)	(2,914)	130,547	38,671
Recognized in other comprehensive income (loss)	-	8,243	-	8,243
Balance, December 31, 2017	$ 388,872	$ 36,901	$ 202,736	$ 628,509

	Intangible Assets	**Others**	**Total**
Deferred tax liabilities			
Balance, January 1, 2018	$ 436,556	$ 5,044	$ 441,600
Recognized in profit or loss	132,067	(4,198)	127,869
Balance, December 31, 2018	$ 568,623	$ 846	$ 569,469
Balance, January 1, 2017	$ 389,782	$ 6,310	$ 396,092
Recognized in profit or loss	46,774	(1,266)	45,508
Balance, December 31, 2017	$ 436,556	$ 5,044	$ 441,600

d. The income tax returns through 2015 have been examined and cleared by the tax authorities.

24. EARNINGS PER SHARE

	For the Year Ended December 31, 2018		
	Amount After Income Tax	Weighted-average Number of Common Stock	EPS
Basic EPS			
Profit attributable to stockholders	$ 13,642,172	2,722,519	$ 5.01
Effect of potential dilutive common stock:			
Employees' compensation	-	4,405	
Convertible bonds	80,227	95,073	
Diluted EPS			
Profit attributable to stockholders (adjusted for potential effect of common stock)	$ 13,722,399	2,821,997	$ 4.86

	For the Year Ended December 31, 2017		
	Amount After Income Tax	Weighted-average Number of Common Stock	EPS
Basic EPS			
Profit attributable to stockholders	$ 14,192,176	2,722,081	$ 5.21
Effect of potential dilutive common stock:			
Employees' compensation	-	4,376	
Convertible bonds	55,888	90,662	
Diluted EPS			
Profit attributable to stockholders (adjusted for potential effect of common stock)	$ 14,248,064	2,817,119	$ 5.06

Since TWM has the discretion to settle the employees' compensation by cash or stock, TWM should presume that the entire amount of the compensation will be settled in stock, and the potential stock dilution should be included in the weighted-average number of stock outstanding used in the calculation of diluted EPS, provided there is a dilutive effect. Such dilutive effect of the potential stock needs to be included in the calculation of diluted EPS until employees' compensation is approved in the following year.

25. OPERATING LEASES

a. Lessee

Non-cancellable rental payables of operating leases are as follows:

	December 31	
	2018	2017
Less than one year	$ 3,045,816	$ 2,991,107
Between one and five years	5,126,162	5,004,902
More than five years	15,127	16,246
	$ 8,187,105	$ 8,012,255

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

The payments of leases and subleases were as follows:

	For the Year Ended December 31	
	2018	2017
Minimum lease payments	$ 3,566,474	$ 3,503,655
Receipts from subleases	(10,339)	(7,256)
	$ 3,556,135	$ 3,496,399

b. Lessor

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

	December 31	
	2018	2017
Less than one year	$ 168,784	$ 176,351
Between one and five years	526,774	546,649
More than five years	79,298	157,515
	$ 774,856	$ 880,515

26. CAPITAL MANAGEMENT

TWM 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, TWM 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 its normal course of business for the future.

27. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Financial assets at FVTOCI (including current and non-current portions)	$ 2,072,339	$ -
Available-for-sale financial assets (including current and non-current portions)	-	2,495,042
Financial assets at cost	-	7,050
Financial assets measured at amortized cost (including current and non-current portions) (Note 1)	9,112,242	-
Loans and receivables (including current and non-current portions) (Note 2)	-	22,210,185
Total	$ 11,184,581	$ 24,712,277
Financial liabilities		
Financial liabilities measured at amortized cost (including current and non-current portions) (Note 3)	$ 66,971,881	$ 75,658,132
Financial liabilities at FVTPL	1,861	9,961
Total	$ 66,973,742	$ 75,668,093

Note 1: The balances comprise cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets and refundable deposits.

Note 2: The balances comprise cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets and refundable deposits.

Note 3: The balances comprise short-term borrowings, short-term notes and bills payable, payables, bonds payable, long-term borrowings and guarantee deposits.

b. Fair value of financial instruments

1) Financial instruments not at fair value

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

	December 31			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Bonds payable (including current portion)	$ 28,918,817	$ 29,495,234	$ 21,548,935	$ 22,151,528

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 of financial instruments that are measured at fair value on a recurring basis

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).

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Equity instruments				
Domestic listed stocks	$ 1,268,567	$ -	$ -	$ 1,268,567
Limited partnerships	-	-	775,385	775,385
Foreign unlisted stocks	-	-	28,387	28,387
	$ 1,268,567	$ -	$ 803,772	$ 2,072,339
Financial liabilities at FVTPL	$ -	$ 1,861	$ -	$ 1,861

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed stocks	$ 1,709,977	$ -	$ -	$ 1,709,977
Limited partnerships	-	-	785,065	785,065
	$ 1,709,977	$ -	$ 785,065	$ 2,495,042
Financial liabilities at FVTPL	$ -	$ 9,961	$ -	$ 9,961

There was no transfer between the fair value measurements of Levels 1 and 2 for the years ended December 31, 2018 and 2017.

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 funds of publicly traded companies).

b) Valuation techniques and inputs applied for Level 2 fair value measurement:

Call and put options of convertible bonds that adopted binomial tree valuation model were evaluated by the observable closing price of the stocks, volatility, risk-free interest rate, risk discount rate, and liquidity risk at the balance sheet date.

c) Valuation techniques and inputs applied for Level 3 fair value measurement:

The significant and unobservable input parameter for assessing the unlisted stocks and limited partnerships held by TWM mainly relates to liquidity discount rate. The fair value of limited partnerships investments was evaluated through the market approach and income approach. The evaluation and assumptions are mainly referenced to related information of comparable market targets and estimated future cash flows. The liquidity discount rate was estimated at 28% and 30% as of December 31, 2018 and 2017, respectively.

3) Reconciliation of Level 3 fair value measurements of financial instruments

For the Year Ended December 31, 2018

	Financial Assets at FVTOCI - Equity Instruments
Balance at January 1, 2018	$ 792,115
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	11,657
Balance at December 31, 2018	$ 803,772

For the Year Ended December 31, 2017

	Available-for-sale Financial Assets - Equity Instruments
Balance at January 1, 2017	$ -
Purchases	810,865
Recognized in other comprehensive income (unrealized loss on available-for-sale financial assets)	(25,800)
Balance at December 31, 2017	$ 785,065

c. Financial risk management

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

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

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

2) Risk management framework

a) Decision-making mechanism

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

b) Risk management policies

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

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

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

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

c) Monitoring mechanism

The Internal Audit Office assesses the potential risks that TWM may face and uses this information as a reference for determining its annual audit plan. The Internal Audit Office reports the results and findings of performing such procedures, and follows up the discrepancies, if any, for actions.

3) Credit risk

Credit risk refers to the risk that a counterparty would default on its contractual obligations resulting in financial loss. The maximum credit exposure of the aforementioned financial instruments is equal to their carrying amounts recognized in balance sheet as of the balance sheet date. TWM has large trade receivables outstanding with its customers. A substantial majority of TWM's outstanding trade receivables are not covered by collateral or credit insurance. TWM has implemented ongoing measures including enhancing credit assessments and strengthening overall risk management to reduce its credit risk. While TWM has procedures to monitor and limit exposure to credit risk on trade receivables, there can be no assurance such procedures will effectively limit its credit risk and avoid losses. This risk is heightened during periods when economic conditions worsen.

As TWM serves a large number of unrelated consumers, the concentration of credit risk was limited.

4) Liquidity risk

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

TWM manages and maintains sufficient level of capital to pay the requirements of estimated operating expenditures, including financial obligations on each contract. TWM also monitors its bank credit facilities to ensure that the provisions of loan contracts are all complied with. As of December 31, 2018 and 2017, TWM had unused bank facilities of $50,993,100 thousand and $44,726,632 thousand, respectively.

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

	Contractual Cash Flows	Within 1 Year	1-5 Years	More Than 5 Years
December 31, 2018				
Unsecured loans	$ 17,399,881	$ 11,365,871	$ 6,034,010	$ -
Unsecured loans - related parties	10,094,645	10,094,645	-	-
Short-term notes and bills payable	1,500,000	1,500,000	-	-
Bonds payable	30,130,500	4,701,180	16,249,320	9,180,000
	$ 59,125,026	$ 27,661,696	$ 22,283,330	$ 9,180,000
December 31, 2017				
Unsecured loans	$ 28,773,082	$ 17,756,659	$ 11,016,423	$ -
Unsecured loans - related parties	7,910,303	7,910,303	-	-
Short-term notes and bills payable	5,600,000	5,600,000	-	-
Bonds payable	22,118,310	7,558,010	14,560,300	-
	$ 64,401,695	$ 38,824,972	$ 25,576,723	$ -

5) Market risk

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

TWM carefully evaluates each financial instrument transaction involving any risk such as exchange rate risk, interest rate risk, and market price risk in order to decrease potential influences caused by market uncertainty.

a) Exchange rate risk

TWM mainly operates in Taiwan, except for international roaming services. Most of the operating revenues and expenses are measured in NTD. A small portion of the expenses is paid in USD and EUR, etc.; thus, TWM purchases currency at the spot rate based on the conservative principle in order to hedge exchange rate risk.

TWM's foreign currency assets and liabilities exposed to significant exchange rate risk were as follows:

	December 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Foreign currency assets			
Monetary items			
USD	$ 26,221	30.79	$ 807,356
EUR	608	35.05	21,322
Non-monetary items			
USD	26,105	30.79	803,772
Foreign currency liabilities			
Monetary items			
USD	8,942	30.79	275,330
EUR	17	35.05	600

	December 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Foreign currency assets			
Monetary items			
USD	$ 22,191	29.77	$ 660,612
EUR	654	35.55	23,265
Non-monetary items			
USD	26,371	29.77	785,065
Foreign currency liabilities			
Monetary items			
USD	10,438	29.77	310,744
EUR	22	35.55	791

TWM's foreign exchange losses, including realized and unrealized, for the years ended December 31, 2018 and 2017, were net exchange loss of $5,240 thousand and $31,566 thousand, respectively.

Sensitivity analysis

TWM's exchange rate risk comes mainly from conversion gains and losses of accounts denominated in monetary items of foreign currencies. If there had been an unfavorable 5% movement in the levels of foreign exchanges against NTD at the end of the reporting period (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 decreased by $27,637 thousand and $18,617 thousand for the years ended December 31, 2018 and 2017, respectively.

b) Interest rate risk

TWM 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 TWM significantly.

The carrying amounts of TWM's financial assets and financial liabilities exposed to interest rate risk were as follows:

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets	$ 30,790	$ 2,567,080
Financial liabilities	43,273,029	39,024,751
Cash flow interest rate risk		
Financial assets	1,239,663	667,116
Financial liabilities	5,000,000	14,900,000

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 50 basis points (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 decreased by $18,802 thousand and $71,164 thousand for the years ended December 31, 2018 and 2017, respectively.

c) Other market price risk

The exposure to equity price risk is mainly due to holding of stocks. TWM manages the risk by maintaining portfolios of investments with different risks and by continuously monitoring the future developments and market trends of investment targets.

Sensitivity analysis

If the prices of equity instruments had decreased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), profit would have decreased by $103,617 thousand since the fair value of financial assets at FVTOCI decreased for the year ended December 31, 2018; and other comprehensive income would have decreased by $124,752 thousand since the fair value of available-for-sale financial assets decreased for the year ended December 31, 2017.

28. RELATED-PARTY TRANSACTIONS

a. Related party name and nature of relationship

Related Party	Nature of Relationship
Taiwan Cellular Co., Ltd.	Subsidiary
Wealth Media Technology Co., Ltd. (WMT)	Subsidiary
Taipei New Horizon Co., Ltd. (TNH)	Subsidiary
Taiwan Fixed Network Co., Ltd. (TFN)	Subsidiary
Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Subsidiary
Taiwan Digital Service Co., Ltd. (TDS)	Subsidiary
momo.com Inc. (momo)	Subsidiary
Taiwan Kuro Times Co., Ltd. (TKT)	Subsidiary

(Continued)

Related Party	Nature of Relationship
TFN Union Investment Co., Ltd.	Subsidiary
TCC Investment Co., Ltd.	Subsidiary
TCCI Investment and Development Co., Ltd.	Subsidiary
Taiwan Digital Communications Co., Ltd.	Subsidiary
Taihsin Property Insurance Agent Co., Ltd.	Subsidiary
TFN Media Co., Ltd.	Subsidiary
Global Forest Media Technology Co., Ltd.	Subsidiary
Win TV Broadcasting Co., Ltd.	Subsidiary
Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary
Mangrove Cable TV Co., Ltd.	Subsidiary
Phoenix Cable TV Co., Ltd.	Subsidiary
Union Cable TV Co., Ltd.	Subsidiary
Globalview Cable TV Co., Ltd.	Subsidiary
Fu Sheng Travel Service Co., Ltd.	Subsidiary
Bebe Poshe International Co., Ltd.	Subsidiary
ADT	Associates
Taiwan Pelican Express Co., Ltd. (TPE)	Associates
kbro Media Co., Ltd. (kbro Media)	Associates
Good Image Co., Ltd.	Associates (subsidiary of kbro Media)
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Other related parties
Fubon Insurance Co., Ltd. (Fubon Ins.)	Other related parties
Fubon Sports & Entertainment Co., Ltd. (FSE)	Other related parties
Fubon Property Management Co., Ltd. (FPM)	Other related parties
Fubon Financial Holding Co., Ltd.	Other related parties
Fubon Life Insurance Co., Ltd.	Other related parties
Fubon Securities Co., Ltd.	Other related parties
Fubon Futures Co., Ltd.	Other related parties
Fubon Investment Services Co., Ltd.	Other related parties
Fubon Securities Investment Trust Co., Ltd.	Other related parties
Fubon Securities Equity Investment Co., Ltd.	Other related parties
Fubon Marketing Co., Ltd.	Other related parties
Fu-Sheng Life Insurance Agency Co., Ltd.	Other related parties
Fu-Sheng General Insurance Agency Co., Ltd.	Other related parties
Fubon Financial Venture Capital Co., Ltd.	Other related parties
Fubon Gymnasium Co., Ltd.	Other related parties
Fubon Asset Management Co., Ltd.	Other related parties
One Production Film Co., Ltd.	Other related parties
Fubon Land Development Co., Ltd.	Other related parties
Fubon Real Estate Management Co., Ltd.	Other related parties
Fubon Hospitality Management Co., Ltd.	Other related parties
Chung Hsing Constructions Co., Ltd.	Other related parties
Fu Yi Health Management Co., Ltd.	Other related parties
Mitchiller Media Co., Ltd.	Other related parties
Taiwan Mobile Foundation (TMF)	Other related parties
Taipei New Horizon Foundation	Other related parties
Fubon Cultural & Educational Foundation	Other related parties
Fubon Charity Foundation	Other related parties
Fubon Art Foundation	Other related parties
Taipei Fubon Bank Charity Foundation	Other related parties
Taipei New Horizon Management Agency	Other related parties

(Concluded)

b. Significant transactions with related parties

1) Operating revenue

	For the Year Ended December 31	
	2018	2017
Subsidiaries	$ 570,734	$ 727,231
Associates	18,304	18,287
Other related parties	476,029	457,430
	$ 1,065,067	$ 1,202,948

TWM renders telecommunications, sales and maintenance services, etc., to the 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	
	2018	2017
Subsidiaries		
TFN	$ 4,773,634	$ 4,677,829
Others	486,711	392,709
Associates	2,749	1,824
Other related parties	589,871	528,932
	$ 5,852,965	$ 5,601,294

The entities mentioned above provide telecommunications, maintenance services and member service costs, etc., to TWM. The transaction terms with related parties were not significantly different from those with third parties.

3) Receivables due from related parties

		December 31	
Account	**Related Party Categories**	**2018**	**2017**
Accounts receivable	Subsidiaries	$ 62,121	$ 21,413
Accounts receivable	Associates	1,878	4,091
Accounts receivable	Other related parties	72,699	71,726
		$ 136,698	$ 97,230
Other receivables	Subsidiaries	$ 70,316	$ 47,205
Other receivables	Other related parties	19,438	2,986
		$ 89,754	$ 50,191

Receivables from related parties above were not secured with collateral, and no provisions for impairment loss were accrued.

4) Payables due to related parties

Account	Related Party Categories	December 31 2018	December 31 2017
Accounts payable	Subsidiaries	$ 173,885	$ 179,076
Accounts payable	Associates	99	-
Accounts payable	Other related parties	50,997	92,807
		$ 224,981	$ 271,883
Other payables	Subsidiaries	$ 551,912	$ 527,347

5) Prepayments

	December 31 2018	December 31 2017
Other related parties		
Fubon Ins.	$ 4,957	$ 50,789

6) Transaction of property

Disposals of property, plant and equipment

	2018		2017	
	Proceeds	Gain (Loss) on Disposal	Proceeds	Gain (Loss) on Disposal
Subsidiaries				
TKT	$ 11,094	$ -	$ 15,511	$ -

7) Borrowings from related parties

	December 31 2018	December 31 2017
Subsidiaries		
TFN	$ 6,990,000	$ 5,740,000
WMT	2,608,000	1,740,000
Others	390,000	350,000
	$ 9,988,000	$ 7,830,000

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

8) Bank deposits, time deposits and other financial assets

	December 31 2018	December 31 2017
Other related parties		
TFCB	$ 239,323	$ 245,044

9) Others

	December 31	
	2018	2017
Guarantee deposits		
Subsidiaries	$ 18,840	$ 18,823
Other current liabilities		
Subsidiaries	$ 46,993	$ 41,173
Other related parties	69,057	-
	$ 116,050	$ 41,173

	For the Year Ended December 31	
	2018	2017
Operating expenses		
Subsidiaries		
TFN	$ 51,969	$ 48,689
TT&T	1,047,348	1,114,432
TNH	120,487	121,232
TDS	84,439	110,494
Other related parties		
TMF	14,420	15,000
FPM	44,202	46,529
FSE	24,500	34,000
TFCB	155,992	160,637
Others	63,268	47,037
	$ 1,606,625	$ 1,698,050

The above operating expenses include rental expenses. The leases are conducted by referring to general market prices, and rental is paid on a monthly basis.

For the years ended December 31, 2018 and 2017, TWM's service charges received (recognized as deduction of other income and expenses) were as follows:

	For the Year Ended December 31	
	2018	2017
Amounts received		
Subsidiaries	$ 331,324	$ 342,322

For the years ended December 31, 2018 and 2017, TWM's service charges paid were as follows:

	For the Year Ended December 31	
	2018	2017
Amounts paid		
Subsidiaries	$ 64,968	$ 70,769

	For the Year Ended December 31	
	2018	2017
Non-operating income		
Subsidiaries		
TFN	$ 803	$ 34,222
momo	45,284	43,258
Other related parties	-	15,403
	$ 46,087	$ 92,883

The above non-operating income included rental income. Leases were conducted by referring to general market prices, and rentals were collected on a monthly or bimonthly basis.

	For the Year Ended December 31	
	2018	2017
Non-operating expense		
Subsidiaries		
TFN	$ 73,340	$ 63,124
Others	26,656	21,742
	$ 99,996	$ 84,866

d. Key management compensation

The amounts of remuneration of directors and key executives were as follows:

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 240,192	$ 249,475
Termination and post-employment benefits	1,698	13,614
	$ 241,890	$ 263,089

29. ASSETS PLEDGED

The assets pledged as collateral for lawsuits and loan commitments were as follows:

	December 31	
	2018	2017
Other current financial assets	$ 9,409	$ 2,448,110
Other non-current financial assets	720	720
	$ 10,129	$ 2,448,830

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	December 31	
	2018	2017
Purchases of property, plant and equipment	$ 806,935	$ 3,641,742
Purchases of cellular phones	$ 1,872,470	$ 3,316,989

b. As of December 31, 2018 and 2017, the amounts of endorsements and guarantees (provided to TFN and TKT) were both $21,550,000 thousand.

c. In accordance with the NCC's policy and regulations, 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 $534,147 thousand and $15,939 thousand, respectively, as of December 31, 2018.

d. In May 2015, Far EasTone Telecommunications ("FET") filed a request for provisional injunction with the Taipei District Court (the "Court") 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 and the use of the C1 spectrum to maintain the status quo, and the counter-security deposit was reclaimed in June 2018. The rights and interests of the subscribers will not be affected. TWM filed a claim in August 2017 to revoke the aforementioned ruling; the revocation was approved by the Taiwan High Court (the "High Court") in January 2018.

   Besides, in August 2015, FET filed a civil statement of complaint with the Court, in which FET claims that (i) TWM shall apply for the return the C4 spectrum block (1748.7-1754.9/1843.7-1849.9 MHz) back to the NCC; (ii) TWM shall not use the C4 spectrum block; (iii) TWM shall not use the C1 spectrum block until TWM's application for the return of the C4 spectrum block is approved by the NCC; and (iv) TWM shall provide $1,005,800 thousand to FET as compensation. In May 2016, the Court decided against TWM regarding claims (i), (ii), and (iii) of the lawsuit; and the Court decided against FET regarding claim (iv) of the lawsuit. FET offered a security deposit of $320,630 thousand for the provisional execution of claims (i) to (iv). TWM offered a counter-security deposit of $961,913 thousand in order to be exempted from the provisional execution of claims (i) to (iv). In addition, TWM offered a counter-security deposit for the exemption from provisional execution of the sentence, and the counter-security deposit was reclaimed in March 2018. TWM and FET appealed the aforementioned sentences respectively. The judgment dismissed by the High Court were as follows: (1) TWM "shall apply for the return of the C4 spectrum block to the NCC immediately", "shall not use the C4 spectrum block in any way", and "TWM shall not use the C1 spectrum block before the C4 spectrum block has been returned to and approved by the NCC", and (2) the claim stated in section 2(2) below, in which the corresponding portion of FET's claimed provisional execution and litigation expenses were rejected. 2. (1) For the dismissed portion stated in the above section (1), FET's claim and motion of provisional execution in the first instance were rejected; and (2) for the dismissed portion stated in the above section 1(2), TWM shall pay FET $765,779 thousand, as well as a 5% annual interest payment, for the period starting from September 5, 2015 to the payment date, on $152,584 thousand of the above amount. 3. The rest of FET's appeals were rejected. 4. TWM shall bear half of the litigation expenses in the first and second instances, and FET shall bear the rest. 5. Regarding the portion of the judgment regarding TWM's payment, FET may file a provisional execution with a collateral of $255,260 thousand or a negotiable certificate deposit (NCD) issued by Far Eastern International Bank for the equal amount; and TWM may provide a counter-security of $765,779 thousand to be exempted from the above FET provisional execution. 6. The rest of FET's motions on provisional execution were rejected. TWM and FET appealed the sentence respectively. In addition, FET offered a counter-security deposit for the exemption from provisional execution of the sentence, and obtained $791,867 thousand according to the execution decree in May 2018. The amount was recognized under other current assets by TWM.

FET further filed a provisional injunction in April 2016, in which FET claimed that TWM shall apply for the return of the C4 spectrum block to the NCC immediately and TWM shall not use the C1 and C4 spectrum blocks. The Court declared that after FET has provided a collateral of $143,050 thousand, TWM shall apply for the return of the C4 spectrum block to the NCC, and TWM shall be prohibited from the use of the C4 spectrum block; the remainder of FET's claims were rejected. TWM may provide a counter-security deposit of $547,119 thousand to be exempted from, or to move for the revocation of, the above FET provisional injunction. TWM provided the counter-security deposit so that TWM would not be required to return the C4 spectrum block and could maintain the status quo of its use of the C4 spectrum block, and the counter-security deposit was reclaimed in March 2018. TWM and FET have filed an appeal against the unfavorable portion of the judgment. After the ruling declared by the High Court, TWM and FET both appealed the judgment to the Supreme Court. The Supreme Court dismissed the aforementioned ruling and remanded the cases to the High Court. The provisional injunction and aforementioned appeal filed by FET were rejected by the High Court after the remand ruling. FET re-appealed to the Supreme Court, and the Supreme Court rejected the re-appeal in January 2018; thus, the rejection of the provisional injunction filed by FET was the final judgment.

31. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On January 31, 2019, the Board of Directors resolved that TWM will purchase mobile broadband equipment from Nokia Solutions and Networks Taiwan Co., Ltd. The total amount of the contract will not exceed $4,682,000 thousand.

32. OTHERS

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

	For the Year Ended December 31, 2018			
	Classified as Operating Costs	**Classified as Operating Expenses**	**Classified as Operating Costs or Expense Deduction**	**Total**
Employee benefits				
Salary	$ 1,093,471	$ 2,257,804	$ 450,171	$ 3,801,446
Insurance expenses	74,260	189,158	27,487	290,905
Pension	44,158	98,281	17,094	159,533
Compensation of directors	-	87,636	-	87,636
Others	54,300	148,262	5,904	208,466
Depreciation	6,764,520	256,109	-	7,020,629
Amortization	2,846,481	3,726,099	-	6,572,580

	For the Year Ended December 31, 2017			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Operating Costs or Expense Deduction	Total
Employee benefits				
Salary	$ 1,084,370	$ 2,175,479	$ 416,742	$ 3,676,591
Insurance expenses	73,554	192,660	25,726	291,940
Pension	43,618	99,666	15,686	158,970
Compensation of directors	-	91,221	-	91,221
Others	55,290	154,948	6,532	216,770
Depreciation	7,526,924	302,802	-	7,829,726
Amortization	2,626,701	386,430	-	3,013,131

a. For the years ended December 31, 2018 and 2017, the average numbers of TWM employees were 3,851 and 3,892, respectively, and the numbers of directors who were not employees were both 8.

b. Information of employees' compensation and remuneration of directors

According to TWM's Articles, the estimated employees' compensation and remuneration of directors are set at the rates of 1% to 3% and no higher than 0.3%, respectively, of profit before income tax, employees' compensation, and remuneration of directors. Estimations for employees' compensation were made by applying the rates to the aforementioned profit before income tax, for the years ended December 31, 2018 and 2017, respectively.

If there is a change in the approved amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in accounting estimate in the next year.

The employees' compensation and remuneration of directors of 2018 and 2017 shown below were approved by the Board of Directors on January 31, 2019 and February 1, 2018, respectively. The differences with the amounts recognized in the financial statements have been adjusted in 2019 and 2018, respectively.

	For the Year Ended December 31			
	2018		2017	
	Employees' Compensation Paid in Cash	Remuneration of Directors	Employees' Compensation Paid in Cash	Remuneration of Directors
Amounts approved by the Board of Directors	$ 459,368	$ 45,937	$ 453,359	$ 45,336
Amounts recognized in the financial statements	$ 432,341	$ 43,234	$ 438,728	$ 43,873

Information on the employees' compensation and remuneration of directors approved by the Board of Directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

33. ADDITIONAL DISCLOSURES

a. Information on significant transactions and b. Information on 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: None

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: Table 4 (attached)

6) Disposal of individual real estate 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: None

c. Information on investment in Mainland China:

1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 8 (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: Tables 2 (attached)

34. SEGMENT INFORMATION

Please refer to the consolidated financial statements for the years ended December 31, 2018 and 2017.

TAIWAN MOBILE CO., LTD.

FINANCING EXTENDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2018

(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 Impairment Loss	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits	Note
													Item	Value			
1	TCC	TWM	Other receivables	Yes	$ 400,000	$ 400,000	$ 390,000	1.09267%-1.09511%	Short-term financing	$ -	Operation requirements	$ -	-	$ -	$ 34,657,299	$ 34,657,299	Note 2
2	WMT	TWM	Other receivables	Yes	3,000,000	3,000,000	2,608,000	1.09267%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	8,178,623	8,178,623	Note 2
		TKT	Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,178,623	8,178,623	Note 2
		TFNM	Other receivables	Yes	3,000,000	2,880,000	1,180,000	1.09311%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	8,178,623	8,178,623	Note 2
		WTVB	Other receivables	Yes	600,000	600,000	325,000	1.09278%-1.09522%	Short-term financing	-	Operation requirements	-	-	-	8,178,623	8,178,623	Note 2
3	TFN	TWM	Other receivables	Yes	9,000,000	9,000,000	6,990,000	1.09267%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	22,544,691	22,544,691	Note 2
4	YJCTV	TFNM	Other receivables	Yes	240,000	140,000	140,000	1.09244%-1.09522%	Transactions	462,943	-	-	-	-	462,943	462,943	Notes 3 and 4
5	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	1.09244%-1.09456%	Transactions	537,792	-	-	-	-	537,792	537,792	Notes 3 and 4
6	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	1.09244%-1.09456%	Short-term financing	-	Repayment of financing	-	-	-	274,660	274,660	Note 3

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 borrowing company). In the event that a lending company directly and indirectly owns 100% of the borrowing company, or the borrowing company directly and 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 and the total amount of business dealings, respectively. 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.

Note 4: Where funds are loaned for reasons of business dealings, the aggregate amount of loans and the maximum amount permitted to a single borrower shall be prescribed within the aggregate amount of business transactions.

TABLE 2

TAIWAN MOBILE CO., LTD.

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2018

(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	Note 2	$ 42,000,000	$ 21,500,000	$ 21,500,000	$ 8,501,350	$ -	34.74	$ 61,881,520	Y	N	N	Notes 3 and 4
		TKT	Note 2	259,800	50,000	50,000	50,000	-	0.08	61,881,520	Y	N	N	Note 3
1	momo	FGE	Note 2	829,548	66,960	-	-	-	-	6,150,503	N	N	Y	Note 5

Note 1: The maximum endorsement/guarantee 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.

TAIWAN MOBILE CO., LTD.

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)
DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2018				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership %	Fair Value	
TWM	Stock							
	Chunghwa Telecom Co., Ltd.	-	Current financial assets at FVTOCI	2,174	$ 245,607	0.028	$ 245,607	
	Asia Pacific Telecom Co., Ltd.	-	Non-current financial assets at FVTOCI	148,255	1,022,960	3.45	1,022,960	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at FVTOCI	800	28,387	10	28,387	
	Limited Partnerships							
	Grand Academy Investment, L.P.	-	Non-current financial assets at FVTOCI	-	603,700	21.67	603,700	Note 1
	Starview Heights Investment, L.P.	-	Non-current financial assets at FVTOCI	-	171,685	21.67	171,685	Note 1
TCC	Stock							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at FVTOCI	6,998	101,683	5.21	101,683	
TFN	Stock							
	Taiwan High Speed Rail Corporation	-	Non-current financial assets at FVTOCI	90,212	2,755,989	1.6	2,755,989	
TCCI	Stock							
	TWM	TWM	Non-current financial assets at FVTOCI	200,497	21,352,905	5.86	21,352,905	
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at FVTOCI	10,000	36,915	6.67	36,915	
TUI	Stock							
	TWM	TWM	Non-current financial assets at FVTOCI	410,665	43,735,853	11.99	43,735,853	
TID	Stock							
	TWM	TWM	Non-current financial assets at FVTOCI	87,590	9,328,288	2.56	9,328,288	
TFNM	Beneficiary Certificates							
	Dragon Tiger Capital Partners Limited - Class B	-	Non-current financial assets at FVTOCI	0.2	-	0.33	-	
	Dragon Tiger Capital Partners Limited - Class C	-	Non-current financial assets at FVTOCI	0.0335	-	0.056	-	

(Continued)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2018				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership %	Fair Value	
momo	Beneficiary Certificates							
	Fubon Strategic High Income Fund B	Other related party	Current financial assets at FVTPL	9,151	$ 81,474	-	$ 81,474	
	Stock							
	Media Asia Group Holdings Limited	-	Current financial assets at FVTOCI	43,668	10,125	2.04	10,125	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at FVTOCI	2,400	42,580	7.73	42,580	

Note 1: Percentage of ownership is the percentage of capital contribution.

Note 2: For the information on investments in subsidiaries and associates, see Table 7 and Table 8 for details.

(Concluded)

TABLE 4

TAIWAN MOBILE CO., LTD.

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
momo	Warehousing logistics construction	November 9, 2015	$ 1,728,552 (Note)	Paid. (including $193,435 thousand paid in current period)	Li Jin Engineering Co., Ltd.	-	-	-	-	$ -	Budget commitments had been approved by the board of directors, and determined by price comparison and price negotiation.	Business development needs	None

Note 1: The transaction amount increased by $3,143 thousand to the total amount of $1,728,552 thousand in current period.

TABLE 5

TAIWAN MOBILE CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018

(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	$ 453,293	1	Based on contract terms	-	-	$ 19,572	-	Note 1
			Purchase	4,825,077	(Note 2)	Based on contract terms	-	-	(467,393)	(Note 3)	Note 1
	TT&T	Subsidiary	Purchase	1,047,348	(Note 2)	Based on contract terms	-	-	(89,101)	(Note 3)	
	TKT	Subsidiary	Purchase	331,380	(Note 2)	Based on contract terms	-	-	(76,858)	(Note 3)	
	TDS	Subsidiary	Purchase	213,856	(Note 2)	Based on contract terms	-	-	(22,103)	(Note 3)	
	TNH	Subsidiary	Purchase	120,902	(Note 2)	Based on contract terms	-	-	(1,283)	(Note 3)	
	Fubon Ins.	Other related party	Sale	374,535	1	Based on contract terms	-	-	60,637	1	
			Purchase	561,855	1	Based on contract terms	-	-	(50,962)	4	
TNH	TWM	Parent	Sale	123,442	21	Based on contract terms	-	-	1,283	11	
TFN	TWM	Ultimate parent	Sale	4,825,077	48	Based on contract terms	-	-	467,393	39	Note 1
			Purchase	453,293	(Note 2)	Based on contract terms	-	-	(19,572)	(Note 3)	Note 1
	TT&T	Fellow subsidiary	Purchase	109,723	(Note 2)	Based on contract terms	-	-	(8,638)	(Note 3)	
	TFNM	Fellow subsidiary	Sale	148,803	1	Based on contract terms	-	-	24,616	2	
	Fubon Life	Other related party	Sale	133,300	1	Based on contract terms	-	-	13,663	1	
TT&T	TWM	Ultimate parent	Sale	1,047,348	90	Based on contract terms	-	-	89,101	91	
	TFN	Fellow subsidiary	Sale	109,723	9	Based on contract terms	-	-	8,638	9	
TKT	TWM	Ultimate parent	Sale	331,380	92	Based on contract terms	-	-	76,858	100	
TDS	TWM	Ultimate parent	Sale	213,856	92	Based on contract terms	-	-	22,013	96	
TFNM	TFN	Fellow subsidiary	Purchase	152,457	(Note 2)	Based on contract terms	-	-	(24,616)	(Note 3)	
	YJCTV	Subsidiary	Channel leasing fee	425,366	13	Based on contract terms	Note 4	Note 4	-	-	
	PCTV	Subsidiary	Channel leasing fee	496,337	15	Based on contract terms	Note 4	Note 4	-	-	
	UCTV	Subsidiary	Channel leasing fee	224,932	7	Based on contract terms	Note 4	Note 4	-	-	
	GCTV	Subsidiary	Channel leasing fee	189,930	6	Based on contract terms	Note 4	Note 4	-	-	
YJCTV	TFNM	Parent	Royalty for copyright	425,366	50	Based on contract terms	Note 4	Note 4	-	-	
PCTV	TFNM	Parent	Royalty for copyright	496,337	51	Based on contract terms	Note 4	Note 4	-	-	
UCTV	TFNM	Parent	Royalty for copyright	224,932	37	Based on contract terms	Note 4	Note 4	-	-	
GCTV	TFNM	Parent	Royalty for copyright	189,930	49	Based on contract terms	Note 4	Note 4	-	-	
MCTV	Dai-Ka Ltd.	Other related party	Royalty for copyright	157,827	43	Based on contract terms	Note 4	Note 4	(52,609)	89	
momo	TPE	Associate	Purchase	406,755	1	Based on contract terms	-	-	(91,167)	2	

Note 1: Accounts receivable (payable) was the net amount after being offset.

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.

TAIWAN MOBILE CO., LTD.

RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018

(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 Impairment Loss
						Amount	Action Taken		
TCC	TWM	Parent	Other receivables	$ 391,802		$ -	-	$ (1,802)	$ -
WMT	TWM	Parent	Other receivables	2,617,618		-	-	(38,077)	-
	TFNM	Subsidiary	Other receivables	1,182,442		-	-	-	-
	WTVB	Subsidiary	Other receivables	326,391		-	-	(1,084)	-
TFN	TWM	Ultimate parent	Accounts receivable	467,393	10.53	-	-	391,656	-
			Other receivables	7,089,695		-	-	61,522	-
YJCTV	TFNM	Parent	Accounts receivable	4,807	7.28	-	-	-	-
			Other receivables	140,202		-	-	-	-
PCTV	TFNM	Parent	Accounts receivable	5,139	6.99	-	-	-	-
			Other receivables	522,093		-	-	-	-
GCTV	TFNM	Parent	Accounts receivable	2,257	7.20	-	-	-	-
			Other receivables	250,010		-	-	-	-
momo	TPE	Associate	Accounts receivable	2,059	4.91	-	-	1,291	-
			Other receivables	112,956		-	-	112,956	-

TAIWAN MOBILE CO., LTD.

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA) FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2018	December 31, 2017	Shares (Thousands)	Percentage of Ownership %	Carrying Value			
TWM	TCC	Taiwan	Investment	$ 40,397,288	$ 40,397,288	502,970	100	$ 19,736,769	$ 3,584,025	$ 3,579,668	Note 1
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	20,446,559	2,082,254	2,082,254	
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,772,825	102,109	50,952	
	ADT	Taiwan	Technology development of mobile payment and information processing services	60,000	60,000	6,000	14.4	8,636	(66,405)	(5,815)	
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	56,362,690	3,465,946	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	78,163	50,981	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	256,047	9,348	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	29,189,104	11,317	-	Note 2
	TDC	Taiwan	Mobile phone wholesaling and TV program production	112,000	112,000	11,200	100	115,816	250	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	25,000	2,500	100	109,853	15,461	-	Note 2
	TPIAC	Taiwan	Property insurance agent	5,000	5,000	500	100	27,914	22,972	-	Note 2
	TFC	Taiwan	Type II telecommunications business	5,000	-	500	100	4,409	(591)	-	Note 2
WMT	TFNM	Taiwan	Type II telecommunications business	5,210,443	5,210,443	230,921	100	6,553,427	1,449,737	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	16,879	(403)	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	96,410	2,636	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	332,792	77,655	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,318,968	1,449,640	-	Notes 2 and 4
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	38,298,647	(77)	-	Note 2
	TFN HK Ltd.	Hong Kong	Telecommunications service provider	2,925	2,925	1,300	100	8,228	(243)	-	Note 2
TT&T	TT&T Holdings	Samoa	Investment	-	36,284	-	-	-	(279)	-	Notes 2 and 5
TCCI	TID	Taiwan	Investment	3,602,782	3,602,782	104,712	100	8,174,055	(106)	-	Note 2
TFNM	TKT	Taiwan	Digital music service	129,900	129,900	12,000	100	225,842	21,765	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	1,915,527	(162,988)	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	630,460	54,149	-	Notes 2 and 6
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,355,185	74,195	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	1,971,165	(34,648)	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,256,853	40,993	-	Note 2
	kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	154,847	(53,875)	-	Note 2
GFMT	UCTV	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	15,154	(34,648)	-	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	94,913	40,993	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2018	December 31, 2017	Shares (Thousands)	Percentage of Ownership %	Carrying Value			
momo	Asian Crown (BVI)	British Virgin Islands	Investment	$ 885,285	$ 789,864	9,735	81.99	$ 41,494	$ (14,417)	$ -	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	794,501	36,435	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	9,310	238	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	10,969	2,045	-	Note 2
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	48,535	10,243	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	385,706	69,392	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	115,099	115,099	24,150	35	119,889	26,220	-	Note 2
	Bebe Poshe	Taiwan	Wholesale of cosmetics	85,000	-	8,500	85	82,726	(21,969)	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,035,051	11,594	100	46,105	(14,566)	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,035,051	11,594	100	46,105	(14,566)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	794,501	36,435	-	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: Held 1 share on December 31, 2018.

Note 4: Non-controlling interests.

Note 5: TT&T Holdings was dissolved in February 2018.

Note 6: 70.47% of stocks are held under trustee accounts.

Note 7: For information on investment in Mainland China, see Table 8 for details.

(Concluded)

TAWAN MOBILE CO., LTD.

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018

(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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
					Outflow	Inflow							
Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis and development of CRM application and information consulting services	$ -	b	$ 40,027 (USD 1,300)	$ -	$ 40,027 (USD 1,300)	$ -	$ -	-	$ -	$ -	$ 9,764 (USD 317)	Note 2
TWMC	Mobile application development and design	92,370 (USD 3,000)	b	150,006 (USD 4,872)	-	-	150,006 (USD 4,872)	1,207	100	1,207	105,667	-	
FGE	Wholesaling	345,960 (RMB 77,500)	b	742,384 (USD 14,000) (RMB 69,741)	87,164 (RMB 19,526)	-	829,548 (USD 14,000) (RMB 89,267)	(16,135)	76.7	(11,480)	30,821	-	Note 3
Haobo	Investment	49,104 (RMB 11,000)	b	-	-	-	-	36,435	100	36,435	794,501	-	
GHS	Wholesaling	223,200 (RMB 50,000)	b	-	-	-	-	277,940	20	37,226	766,529	-	

Company	Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
TWM and subsidiaries	$1,641,912 (USD18,872, RMB89,267 and HKD168,539)	$1,641,912 (USD18,872, RMB89,267 and HKD168,539)	$40,796,218

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 the capital was remitted to the parent company, TT&T Holdings. TT&T Holdings was dissolved in February 2018 and the capital was remitted to the parent company, TT&T. Investment Commission, MOEA approved the revocation of limited amount in March 2018.

Note 3: The extraordinary stockholders' meeting of FGE resolved to increase capital by RMB20,000 thousand in May 2018, and HK Fubon Multimedia completed the full subscription in August 2018.

Note 4: The amounts are based on audited financial statements.

TAIWAN MOBILE CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Summary	Amount
Cash on hand and revolving funds		$ 153,869
Cash in banks		
Demand deposits		819,297
Foreign currency deposits		
	(US$12,623 thousand, exchange rate of $30.79)	388,652
	(EUR616 thousand, exchange rate at $35.05)	21,584
Checking accounts deposits		4,976
		1,234,509
Time deposits		30,790
		$ 1,419,168

TAIWAN MOBILE CO., LTD.

STATEMENT OF ACCOUNTS AND NOTES RECEIVABLE, NET
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Other (Note)	$ 6,518,651
Less: Allowance for impairment loss	(455,722)
	$ 6,062,929

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

TAIWAN MOBILE CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Beginning Balance		Effect of Retrospective Application and Retrospective Restatement	Increase		Decrease		Adjustments on Equity Method Amount (Note 2)	Ending Balance			Market Value or Net Assets Value
	Thousands Shares	Amount		Thousands Shares	Amount	Thousands Shares	Amount (Note 1)		Thousands Shares	%	Amount	
TCC	502,970	$ 18,649,968	$ (1,501)	-	$ -	-	$ (3,122,012)	$ 4,210,314	502,970	100	$ 19,736,769	$ 86,643,247
WMT	42,065	20,419,328	7,307	-	-	-	(2,040,376)	2,060,300	42,065	100	20,446,559	20,446,559
TNH	191,866	1,721,873	-	-	-	-	-	50,952	191,866	49.9	1,772,825	3,552,757
ADT	6,000	14,451	-	-	-	-	-	(5,815)	6,000	14.4	8,636	8,636
		$ 40,805,620	$ 5,806		$ -		$ (5,162,388)	$ 6,315,751			$ 41,964,789	

Note 1: The decrease in investments resulted from receiving dividends of investees.

Note 2: The adjustments of equity method include the share of the profit or loss and other comprehensive income of subsidiaries and associates, changes in equity of subsidiaries and associates accounted for using equity method and unrealized gain or loss on upstream and downstream intercompany transactions.

Note 3: None of the investments accounted for using equity method were provided as collateral.

TAIWAN MOBILE CO., LTD.

STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Loan Type	Amount	Financing Period	Interest Rates	Credit Line	Mortgage Guarantee
Unsecured	$ 9,300,000	2018.11.26-2019.02.27	0.7%-0.96%	$ 54,318,500	None
Unsecured - related parties					
TFN	6,990,000	2018.07.30-2019.07.29		9,000,000	None
WMT	2,608,000	2018.07.30-2019.07.29	1.09433%-1.09511%	3,000,000	None
TCC	390,000	2018.07.30-2019.07.29		400,000	None
	9,988,000			12,400,000	
	$ 19,288,000			$ 66,718,500	

TAIWAN MOBILE CO., LTD.

STATEMENT OF SHORT-TERM AND BILLS PAYABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Institution Providing Guarantee or Acceptance	Due Date	Interest Rates	Issuing Amount	Discount on Short-term Notes and Bills Payable	Net Carrying Value
Short-term notes and bills payables	China Bills Finance Corporation	107.12.28-108.01.31		$ 200,000	$ 136	$ 199,864
	International Bill Finance Corporation	107.12.19-108.01.31	0.788%-0.798%	1,000,000	669	999,331
	Mega Bill Finance Corporation	107.12.28-108.01.31		300,000	203	299,797
				$ 1,500,000	$ 1,008	$ 1,498,992

STATEMENT 6

TAIWAN MOBILE CO., LTD.

STATEMENT OF ACCOUNTS PAYABLES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
A Company	$ 156,874
B Company	114,000
C Company	103,309
D Company	57,779
Other (Note)	688,417
	$ 1,120,379

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

TAIWAN MOBILE CO., LTD.

STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Equipment and construction	$ 1,762,925
Salaries and pension	1,191,605
Repair and maintenance expense	872,049
Estimated loss from lawsuits	765,779
Rents and utilities expense	653,795
Commissions	637,413
Compensation to employees	432,341
Other (Note)	1,257,317
	$ 7,573,224

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

TAIWAN MOBILE CO., LTD.

STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Creditor	Amount	Financing Period	Interest Rates	Mortgage Guarantee
Mizuhou Bank, Ltd.	$ 4,000,000	2018.04.14-2020.04.14	0.75%-1.07%	None
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,000,000	2016.02.26-2021.07.30		None
Less: Current portion	(2,000,000)			
	$ 6,000,000			

TAIWAN MOBILE CO., LTD.

STATEMENT OF OPERATING REVENUES
FOR THE YEARS ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Telecommunication and value-added services (Note 1)	$ 46,229,493
Sales revenue	16,264,875
Interconnecting revenue (Note 2)	2,885,273
Other operating revenues (Note 3)	165,986
	$ 65,545,627

Note 1: This includes counter-party default revenues and service revenues, etc.

Note 2: This includes the revenues from other telecommunication operators' use of TWM's networks and IDD delivery revenues.

Note 3: Each of the items was less than 5% of the total account balance.

TAIWAN MOBILE CO., LTD.

STATEMENT OF OPERATING COSTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Amount
Cost of goods sold	$ 17,451,073
Interconnecting cost (Note 1)	7,021,919
Depreciation	6,764,520
Rents and utilities expenses	3,918,339
Government fees (Note 2)	3,637,591
Others (Note 3)	4,223,763
	$ 43,017,205

Note 1: This includes dedicated line and interconnecting charges paid to other telecommunication service providers.

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

Note 3: Each of the items was less than 5% of the total account balance.

TAIWAN MOBILE CO., LTD.

STATEMENT OF MARKETING AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Marketing	Administrative	Total
Amortization	$ 3,345,034	$ 381,065	$ 3,726,099
Salaries and pension	1,484,223	959,001	2,443,224
Professional service fees	1,502,356	231,129	1,733,485
Commissions and mobile phone allowance	1,175,124	-	1,175,124
Service charges	200,915	443,625	644,540
Others (Note)	1,564,016	1,008,222	2,572,238
	$ 9,271,668	$ 3,023,042	$ 12,294,710

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