Taiwan Mobile Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

Deloitte.

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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, 2017 and 2016, 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, 2017 and 2016, 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, 2017. 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 2017 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 $41,603,421 thousand and $65,372,820 thousand, respectively, as of December 31, 2017.

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 $106,976,241 thousand (69% 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.

Telecommunication Service Revenue

The description of key audit matter:

The source of the major operating revenue of the Group is the telecommunication service revenue. For the year ended December 31, 2017, the telecommunication service revenue amounted to $54,097,974 thousand. Because nowadays the telecommunication industry is more competitive and the calculation of the service revenue has become more complex and cumbersome, relying highly on automatic, systematic connection and implementation, the telecommunication service revenue is 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.

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, 2017 and 2016 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, 2017 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

February 1, 2018

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)

ASSETS	December 31, 2017 Amount	%	December 31, 2016 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 28)	$ 6,631,544	4	$ 7,704,517	5
Available-for-sale financial assets (Notes 7 and 28)	1,104,467	1	1,231,871	1
Debt instrument investment without active market	465,654	-	-	-
Accounts and notes receivable, net (Note 8)	14,571,025	10	15,331,965	10
Accounts receivable due from related parties (Note 28)	106,475	-	83,541	-
Other receivables (Note 28)	1,791,718	1	1,287,274	1
Inventories (Note 9)	4,331,809	3	4,071,748	3
Prepayments (Note 28)	506,343	-	500,558	-
Assets held for sale	1,737	-	-	-
Other financial assets (Notes 28 and 29)	2,794,954	2	4,018,764	3
Other current assets	45,391	-	49,874	-
Total current assets	32,351,117	21	34,280,112	23
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss	-	-	42,030	-
Available-for-sale financial assets (Note 7)	4,384,641	3	3,194,347	2
Financial assets at cost	171,221	-	188,548	-
Debt instrument investment without active market	-	-	423,481	-
Investments accounted for using equity method (Notes 10 and 28)	1,493,852	1	1,564,265	1
Property, plant and equipment (Notes 5 and 12)	41,603,421	27	42,415,229	28
Investment properties, net (Note 13)	2,964,035	2	2,951,079	2
Concessions (Notes 5, 14 and 29)	43,670,580	28	37,864,311	25
Goodwill (Notes 5 and 14)	15,845,930	10	15,845,930	10
Other intangible assets, net (Notes 5 and 14)	5,856,310	4	5,967,741	4
Deferred tax assets (Note 23)	820,244	1	708,656	1
Other financial assets (Notes 28, 29 and 30)	128,987	-	125,953	-
Other non-current assets (Notes 15 and 28)	5,232,416	3	5,805,723	4
Total non-current assets	122,171,637	79	117,097,293	77
TOTAL	$ 154,522,754	100	$ 151,377,405	100

LIABILITIES AND EQUITY	December 31, 2017 Amount	%	December 31, 2016 Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 28)	$ 9,662,318	6	$ 7,363,005	5
Short-term notes and bills payable (Note 16)	5,595,892	4	-	-
Accounts and notes payable	8,014,484	5	7,114,164	5
Accounts payable due to related parties (Note 28)	129,632	-	145,982	-
Other payables (Notes 28 and 30)	11,224,440	7	9,822,578	6
Current tax liabilities	1,240,549	1	2,221,519	1
Provisions (Note 18)	178,008	-	202,873	-
Advance receipts	2,790,314	2	2,637,194	2
Long-term liabilities, current portion (Notes 16 and 17)	15,602,817	10	6,252,767	4
Other current liabilities	2,040,632	1	2,384,515	2
Total current liabilities	56,479,086	36	38,144,597	25
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Note 17)	9,961	-	41,961	-
Bonds payable (Note 17)	14,149,407	9	21,459,896	14
Long-term borrowings (Note 16)	14,192,673	9	21,447,691	14
Provisions (Note 18)	1,371,869	1	1,305,688	1
Deferred tax liabilities (Note 23)	729,786	1	822,880	1
Net defined benefit liabilities (Note 19)	443,044	-	369,322	-
Guarantee deposits	978,816	1	887,163	1
Other non-current liabilities	656,511	-	711,672	-
Total non-current liabilities	32,532,067	21	47,046,273	31
Total liabilities	89,011,153	57	85,190,870	56
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 20)				
Common stock	34,208,328	22	34,208,328	23
Capital surplus	13,939,278	9	14,985,047	10
Retained earnings				
Legal reserve	26,138,846	17	24,606,828	16
Special reserve	690,034	-	1,173,954	1
Unappropriated earnings	14,735,424	10	15,850,111	10
Other equity interests	(362,703)	-	(690,034)	-
Treasury stock	(29,717,344)	(19)	(29,717,344)	(20)
Total equity attributable to owners of the parent	59,631,863	39	60,416,890	40
NON-CONTROLLING INTERESTS (Note 20)	5,879,738	4	5,769,645	4
Total equity	65,511,601	43	66,186,535	44
TOTAL	$ 154,522,754	100	$ 151,377,405	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, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 21 and 28)	$ 117,171,107	100	$ 116,647,498	100
OPERATING COSTS (Notes 9, 28 and 32)	81,445,116	70	78,790,518	68
GROSS PROFIT FROM OPERATIONS	35,725,991	30	37,856,980	32
OPERATING EXPENSES (Notes 28 and 32)				
Marketing	12,256,098	11	12,977,366	11
Administrative	5,246,817	4	5,283,030	4
Total operating expenses	17,502,915	15	18,260,396	15
NET OTHER INCOME AND EXPENSES	869,336	1	423,182	-
OPERATING INCOME	19,092,412	16	20,019,766	17
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 22 and 28)	396,068	-	379,957	-
Other gains and losses, net (Notes 22 and 28)	(1,252,614)	(1)	(586,636)	-
Finance costs (Note 22)	(633,525)	-	(673,439)	-
Share of profit (loss) of associates accounted for using equity method (Note 10)	28,942	-	51,824	-
Total non-operating income and expenses	(1,461,129)	(1)	(828,294)	-
PROFIT BEFORE TAX	17,631,283	15	19,191,472	17
INCOME TAX EXPENSE (Note 23)	2,682,496	2	3,263,029	3
PROFIT	14,948,787	13	15,928,443	14
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Re-measurements from defined benefit plans	(81,799)	-	(98,443)	-
Share of other comprehensive income (loss) of associates accounted for using equity method	(510)	-	(472)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation	(12,537)	-	(69,331)	-
Unrealized gain (loss) on available-for-sale financial assets	352,025	-	533,608	-
Share of other comprehensive income (loss) of associates accounted for using equity method	(41,885)	-	(14,059)	-
Other comprehensive income (loss) (after tax)	215,294	-	351,303	-
COMPREHENSIVE INCOME	$ 15,164,081	13	$ 16,279,746	14
PROFIT ATTRIBUTABLE TO:				
Owners of the parent	$ 14,192,176	12	$ 15,320,187	14
Non-controlling interests	756,611	1	608,256	-
	$ 14,948,787	13	$ 15,928,443	14
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	$ 14,437,341	12	$ 15,706,230	14
Non-controlling interests	726,740	1	573,516	-
	$ 15,164,081	13	$ 16,279,746	14
EARNINGS PER SHARE (Note 24)				
Basic earnings per share	$ 5.21		$ 5.63	
Diluted earnings per share	$ 5.06		$ 5.60	

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent										
			Retained Earnings			Other Equity Interests					
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Stock	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2016	$ 34,208,328	$ 14,586,376	$ 23,038,209	$ 302,986	$ 18,311,104	$ 22,386	$ (1,196,340)	$(29,717,344)	$ 59,555,705	$ 5,736,019	$ 65,291,724
Distribution of 2015 earnings											
Legal reserve	-	-	1,568,619	-	(1,568,619)	-	-	-	-	-	-
Special reserve	-	-	-	870,968	(870,968)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(15,243,655)	-	-	-	(15,243,655)	-	(15,243,655)
Total distribution of earnings	-	-	1,568,619	870,968	(17,683,242)	-	-	-	(15,243,655)	-	(15,243,655)
Profit for the year ended December 31, 2016	-	-	-	-	15,320,187	-	-	-	15,320,187	608,256	15,928,443
Other comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	(97,877)	(31,519)	515,439	-	386,043	(34,740)	351,303
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	15,222,310	(31,519)	515,439	-	15,706,230	573,516	16,279,746
Equity component of convertible bonds issued by TWM	-	400,564	-	-	-	-	-	-	400,564	-	400,564
Changes in equity of associates accounted for using equity method	-	(1,893)	-	-	(61)	-	-	-	(1,954)	(75)	(2,029)
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	(539,625)	(539,625)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(190)	(190)
BALANCE, DECEMBER 31, 2016	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

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 17,631,283	$ 19,191,472
Adjustments		
Depreciation expense	10,294,267	10,650,126
Amortization expense	3,395,219	3,201,689
Loss on disposal of property, plant and equipment, net	350,074	457,819
Provision for bad debt expense	322,510	385,004
Finance costs	633,525	673,439
Interest income	(164,036)	(164,174)
Dividend income	(72,407)	(80,168)
Share of profit of associates accounted for using equity method	(28,942)	(51,824)
Valuation loss on financial assets and liabilities at fair value through profit or loss	7,319	118,234
Impairment loss on financial assets at cost	6,180	2,209
Gain on disposal of investments	(3,000)	-
Others	40,300	13,441
Changes in operating assets and liabilities		
Accounts and notes receivable	841,979	187,756
Accounts receivable due from related parties	(22,934)	(21,438)
Other receivables	(292,690)	(106,626)
Inventories	(260,061)	112,784
Prepayments	(6,619)	(62,050)
Other current assets	(2,077)	1,502
Other financial assets	(45)	5,254
Accounts and notes payable	981,373	703,759
Accounts payable due to related parties	(16,350)	54,496
Other payables	772,736	(358,829)
Provisions	(14,960)	54,911
Advance receipts	152,272	348,399
Other current liabilities	(343,883)	542,415
Net defined benefit liabilities	(24,831)	(23,920)
Net cash inflows generated by operating activities	34,176,202	35,835,680
Interest received	1,314	1,374
Interest paid	(1,288)	(2,414)
Income taxes paid	(3,855,943)	(4,004,476)
Net cash generated by operating activities	30,320,285	31,830,164

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	$ (9,181,491)	$ (9,932,672)
Acquisition of intangible assets	(8,979,630)	(274,594)
Increase in prepayments for equipment	(235,276)	(280,998)
Proceeds from disposal of property, plant and equipment	32,029	29,416
Advanced receipts from assets disposals	456	-
Acquisition of available-for-sale financial assets	(1,030,865)	(200,000)
Proceeds from disposal of available-for-sale financial assets	320,692	-
Proceeds from disposal of financial assets at cost	9,081	-
Proceeds from capital return of financial assets at cost	4,374	1,944
Acquisition of investments accounted for using equity method	-	(30,000)
Increase in refundable deposits	(208,217)	(212,008)
Decrease in refundable deposits	197,587	195,335
Increase in other financial assets	(98,005)	(2,861,536)
Decrease in other financial assets	1,319,338	1,823,478
Interest received	85,677	87,859
Dividends received	91,942	125,820
Net cash used in investing activities	(17,672,308)	(11,527,956)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	2,300,252	(6,853,000)
Increase (decrease) in short-term notes and bills payable	5,595,382	(10,792,680)
Proceeds from issue of convertible bonds	-	9,989,130
Repayments of bond payables	(2,900,000)	-
Proceeds from long-term borrowings	1,000,000	13,130,000
Repayment of long-term borrowings	(3,407,080)	(10,282,000)
Increase in guarantee deposits received	247,099	295,340
Decrease in guarantee deposits received	(154,635)	(204,589)
Cash dividends paid to non-controlling interests of subsidiaries	(15,860,290)	(15,783,271)
Interest paid	(538,222)	(669,893)
Net cash used in financing activities	(13,717,494)	(21,170,963)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	(3,456)	(6,150)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,072,973)	(874,905)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,704,517	8,579,422
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,631,544	$ 7,704,517

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Taiwan Mobile Co., Ltd. (“TWM”) was incorporated in Taiwan, the 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, games and e-books.

TWM’s received a second-generation (“2G”) mobile telecommunications concession operation license issued by the Directorate General of Telecommunications (“DGT”) of the ROC. The license allows TWM to provide services for 15 years from 1997 onwards. The 2G license had been renewed by the National Communications Commission (“NCC”) and terminated on June 30, 2017. In March 2005, TWM received a third-generation (“3G”) concession operation license issued by the DGT. The 3G license shall be valid until December 2018. TWM participated in the fourth-generation (“4G”) mobile spectrum auction held by NCC for the need of long-term business development and acquired the concession license for the mobile broadband spectrum in the 700 and 1800 MHz frequency bands in April 2014, and the 4G license shall be valid until December 2030. TWM participated in an auction and acquired the 4G 2100MHz frequency bands in November 2017, and the 4G license shall be valid until December 2033.

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 February 1, 2018.

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”)

   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:

   Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

   The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the name of the related party and the relationship with whom the Group has transaction. If the transaction amount or balance with a specific related party reaches 10% or more of the Group's respective total transaction amount or balance, such transaction should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit at the time of acquisition.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 28 for related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New, Revised or Amended Standards and Interpretations	**Effective Date Issued by International Accounting Standards Board ("IASB") (Note 1)**
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IFRS 15 "Clarifications to IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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 amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments”

Classification, measurement and impairment of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) If they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

b) If they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group analyzed the facts and circumstances of its financial assets that existed at December 31, 2017 and performed an assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Listed and unlisted, domestic and foreign, stocks and limited partnerships classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides, unlisted stocks measured at cost will be measured at fair value instead.

b) Mutual funds classified as available-for-sale will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments.

c) Investments in debt instruments, which are classified as debt instrument investment without active market and measured at amortized cost, will be classified as at fair value through profit or loss since, on its initial recognition, the contractual cash flow was not solely for repaying the outstanding principal and the interest derived from such principal.

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group has performed an assessment that the Group will apply the simplified approach to recognize lifetime expected credit losses for trade receivables and contract assets.

The Group elects to restate comparative information in 2017 when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact of retrospective application of the requirements for the classification, measurement and impairment of financial assets is set out below:

Impact on assets, liabilities and equity	**Carrying Amount**	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount**
December 31, 2017			
Current assets			
Financial assets at fair value through profit or loss	$ -	$ 1,336,737	$ 1,336,737
Financial assets at fair value through other comprehensive income	-	258,661	258,661
Available-for-sale financial assets	1,104,467	(1,104,467)	-
Debt instrument investment without active market	465,654	(465,654)	-
Non-current assets			
Financial assets at fair value through other comprehensive income	-	4,555,862	4,555,862
Available-for-sale financial assets	4,384,641	(4,384,641)	-
Financial assets at cost	171,221	(171,221)	-
Investments accounted for using equity method	1,493,852	2,752	1,496,604
Deferred tax assets	820,244	(2,960)	817,284
Total effect on assets	154,522,754	25,069	154,547,823

(Continued)

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Equity			
Unappropriated earnings	$ 14,735,424	$ (39,351)	$ 14,696,073
Other equity interests	(362,703)	64,420	(298,283)
Total effect on equity	65,511,601	25,069	65,536,670
January 1, 2017			
Current assets			
Financial assets at fair value through profit or loss	-	965,833	965,833
Financial assets at fair value through other comprehensive income	-	266,038	266,038
Available-for-sale financial assets	1,231,871	(1,231,871)	-
Non-current assets			
Financial assets at fair value through profit or loss	42,030	524,973	567,003
Financial assets at fair value through other comprehensive income	-	3,382,895	3,382,895
Available-for-sale financial assets	3,194,347	(3,194,347)	-
Financial assets at cost	188,548	(188,548)	-
Debt instrument investment without active market	423,481	(423,481)	-
Investments accounted for using equity method	1,564,265	9,170	1,573,435
Deferred tax assets	708,656	28	708,684
Total effect on assets	151,377,405	110,690	151,488,095
Non-current liabilities			
Deferred tax liabilities	822,880	(4,112)	818,768
Total effect on liabilities	85,190,870	(4,112)	85,186,758
Equity			
Unappropriated earnings	15,850,111	56,616	15,906,727
Other equity interests	(690,034)	58,186	(631,848)
Total effect on equity	66,186,535	114,802	66,301,337

(Continued)

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Impact on total comprehensive income for the year ended December 31, 2017			
Non-operating income and expenses	$ (1,461,129)	$ (98,788)	$ (1,559,917)
Income tax expense	2,682,496	7,101	2,689,597
Total effect on net profit for the year	14,948,787	(105,889)	14,842,898
Items that will not be reclassified subsequently to profit or loss:			
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	365,872	365,872
Share of other comprehensive income (loss) of associates accounted for using equity method	(510)	(40,965)	(41,475)
Items that may be reclassified subsequently to profit or loss:			
Unrealized gain (loss) on available-for-sale financial assets	352,025	(352,025)	-
Share of other comprehensive income (loss) of associates accounted for using equity method	(41,885)	40,965	(920)
Total effect on other comprehensive income for the year	215,294	13,847	229,141
Total effect on total comprehensive income for the year	15,164,081	(92,042)	15,072,039
Impact on net profit attributable to:			
Owners of the parent	$ 14,192,176	$ (98,275)	$ 14,093,901
Non-controlling interests	756,611	(7,614)	748,997
	$ 14,948,787	$ (105,889)	$ 14,842,898
Impact on total comprehensive income attributable to:			
Owners of the parent	$ 14,437,341	$ (92,042)	$ 14,345,299
Non-controlling interests	726,740	-	726,740
	$ 15,164,081	$ (92,042)	$ 15,072,039

(Concluded)

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

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

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

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

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.

IFRS 15 and related amendment require that when another party is involved in providing goods or services to a customer, 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. Currently, the receivable is recognized or the deferred revenue is reduced when revenue is recognized for the contract under IAS 18.

For a sale with a right of return, the Group will recognize a refund liability (other liability) and a right to recover a product (other asset) when recognizing revenue. Currently, return provisions are recognized when recognizing revenue.

When retrospectively applying IFRS 15 and restating comparative information in 2017, the Group will apply the following practical expedients:

The Group will identify the performance obligations in the manner that reflects the aggregate effect of all incomplete contractual modifications that occurred before December 31, 2016.

In addition, the Group will elect only to disclose the effect in 2017 of the initial application of IFRS 15.

The anticipated impact when retrospectively applying IFRS 15 is detailed below:

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Impact on assets, liabilities and equity			
December 31, 2017			
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
Costs to obtain contracts	-	2,642,495	2,642,495
Rights to recover products	-	95,778	95,778
Other current assets	45,391	1,008	46,399
Non-current assets			
Contract assets	-	4,003,625	4,003,625
Costs to obtain contracts	-	1,524,702	1,524,702
Other non-current assets	5,232,416	(3,995,367)	1,237,049
Total effect on assets	154,522,754	4,263,983	158,786,737
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
Refund liabilities	-	117,554	117,554
Non-current liabilities			
Contract liabilities	-	81,567	81,567
Total effect on liabilities	89,011,153	870,490	89,881,643
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	65,511,601	3,393,493	68,905,094

(Continued)

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
<u>January 1, 2017</u>			
<u>Current assets</u>			
Contract assets	$ -	$ 7,011,402	$ 7,011,402
Accounts and notes receivable, net (including related parties)	15,415,506	(7,011,402)	8,404,104
Costs to obtain contracts	-	2,717,475	2,717,475
Rights to recover products	-	69,074	69,074
Other current assets	49,874	(347)	49,527
<u>Non-current assets</u>			
Contract assets	-	4,624,568	4,624,568
Costs to obtain contracts	-	1,644,723	1,644,723
Other non-current assets	5,805,723	(4,624,568)	1,181,155
Total effect on assets	151,377,405	4,430,925	155,808,330
<u>Current liabilities</u>			
Contract liabilities	-	2,501,881	2,501,881
Accounts and notes payable	7,114,164	(19,875)	7,094,289
Other payables	9,822,578	5,906	9,828,484
Current tax liabilities	2,221,519	766,099	2,987,618
Advanced receipts	2,637,194	(2,537,255)	99,939
Refund liabilities	-	84,861	84,861
<u>Non-current liabilities</u>			
Contract liabilities	-	95,614	95,614
Total effect on liabilities	85,190,870	897,231	86,088,101
<u>Equity</u>			
Unappropriated earnings	15,850,111	3,533,751	19,383,862
Non-controlling interests	5,769,645	(57)	5,769,588
Total effect on equity	66,186,535	3,533,694	69,720,229
<u>Impact on total comprehensive income for the year ended December 31, 2017</u>			
Operating revenues	117,171,107	(17,065)	117,154,042
Operating costs	81,445,116	(7,794)	81,437,322
Operating expenses	17,502,915	202,017	17,704,932
Income tax expense	2,682,496	(71,086)	2,611,410
Total effect on net profit for the year	14,948,787	(140,202)	14,808,585
Total effect on total comprehensive income for the year	15,164,081	(140,202)	15,023,879

(Continued)

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Impact on net profit attributable to:			
Owners of the parent	$ 14,192,176	$ (140,219)	$ 14,051,957
Non-controlling interests	756,611	17	756,628
	$ 14,948,787	$ (140,202)	$ 14,808,585
Impact on total comprehensive income attributable to:			
Owners of the parent	$ 14,437,341	$ (140,219)	$ 14,297,122
Non-controlling interests	726,740	17	726,757
	$ 15,164,081	$ (140,202)	$ 15,023,879

(Concluded)

The aggregate impacts of the initial application of IFRSs in 2018 is detailed below:

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Impact on assets, liabilities and equity			
December 31, 2017			
Assets			
Current assets	$ 32,351,117	$ 2,756,300	$ 35,107,417
Non-current assets	122,171,637	1,532,752	123,704,389
Total effect on assets	154,522,754	4,289,052	158,811,806
Liabilities			
Current liabilities	56,479,086	788,923	57,268,009
Non-current liabilities	32,532,067	81,567	32,613,634
Total effect on liabilities	89,011,153	870,490	89,881,643
Equity			
Unappropriated earnings	14,735,424	3,354,181	18,089,605
Other equity interests	(362,703)	64,420	(298,283)
Non-controlling interests	5,879,738	(39)	5,879,699
Total effect on equity	65,511,601	3,418,562	68,930,163

(Continued)

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
January 1, 2017			
Assets			
Current assets	$ 34,280,112	$ 2,786,202	$ 37,066,314
Non-current assets	117,097,293	1,755,413	118,852,706
Total effect on assets	151,377,405	4,541,615	155,919,020
Liabilities			
Current liabilities	38,144,597	801,617	38,946,214
Non-current liabilities	47,046,273	91,502	47,137,775
Total effect on liabilities	85,190,870	893,119	86,083,989
Equity			
Unappropriated earnings	15,850,111	3,590,367	19,440,478
Other equity interests	(690,034)	58,186	(631,848)
Non-controlling interests	5,769,645	(57)	5,769,588
Total effect on equity	66,186,535	3,648,496	69,835,031
Impact on total comprehensive income for the year ended December 31, 2017			
Operating revenues	117,171,107	(17,065)	117,154,042
Operating costs	81,445,116	(7,794)	81,437,322
Operating expenses	17,502,915	202,017	17,704,932
Non-operating income and expenses	(1,461,129)	(98,788)	(1,559,917)
Income tax expense	2,682,496	(63,985)	2,618,511
Total effect on net profit for the year	14,948,787	(246,091)	14,702,696
Items that will not be reclassified subsequently to profit or loss:			
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	365,872	365,872
Share of other comprehensive income (loss) of associates accounted for using equity method	(510)	(40,965)	(41,475)
Items that may be reclassified subsequently to profit or loss:			
Unrealized gain (loss) on available-for-sale financial assets	352,025	(352,025)	-
Share of other comprehensive income (loss) of associates accounted for using equity method	(41,885)	40,965	(920)
Total effect on other comprehensive income for the year	215,294	13,847	229,141
Total effect on total comprehensive income for the year	15,164,081	(232,244)	14,931,837

(Continued)

	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Impact on net profit attributable to:			
Owners of the parent	$ 14,192,176	$ (238,494)	$ 13,953,682
Non-controlling interests	756,611	(7,597)	749,014
	$ 14,948,787	$ (246,091)	$ 14,702,696
Impact on total comprehensive income attributable to:			
Owners of the parent	$ 14,437,341	$ (232,261)	$ 14,205,080
Non-controlling interests	726,740	17	726,757
	$ 15,164,081	$ (232,244)	$ 14,931,837

(Concluded)

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

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

New IFRSs	Effective Date Issued by 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)
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 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
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 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: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

IFRS 16 “Leases”

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the 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 through profit or loss, which are measured at fair value.

b. Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The Group’s consolidated financial statements are presented in New Taiwan dollars (NTD), which is TWM’s functional currency.

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.

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 2017	Percentage of Ownership December 31 2016	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%	-	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%	100.00%	-
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 3

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Ownership December 31 2017	2016	Note
TFNM	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%	-
momo	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	76.26%	76.26%	-
	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%	-
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	91.30%	91.30%	-

(Concluded)

Note 1: TCCI, TUI and TID collectively owned 698,752 thousand shares of TWM representing 20.42% of total outstanding shares as of December 31, 2017.
Note 2: Set up in December 2017.
Note 3: The other 70.47% of shares were held under trustee accounts.

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

Foreign Currency

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

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

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

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

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

Cash and Cash Equivalents

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

Financial Instruments

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

a. Financial assets

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

   1) Financial assets at fair value through profit or loss

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

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

2) Available-for-sale financial assets

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

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

3) Loans and receivables

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

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

4) Impairment of financial assets

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

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.

5) Derecognition of financial assets

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

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

b. Financial liabilities

1) Recognition

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

2) Convertible bonds

The component parts of compound financial instruments (convertible bonds) issued by the Group 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 - other.

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) Derivative financial instruments

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

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

4) Derecognition of financial liabilities

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

Inventories

Inventories are measured at the lower of cost 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 over the financial and operating policies, 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. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized 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.

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 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.

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

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.

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

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 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. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

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

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 consolidated financial statements for details.

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

Impairment of Non-financial Assets

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

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

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

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

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

Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows 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 re-measurement) of defined benefit plan use the projected unit credit method for the actuarial valuation. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized under employee benefit expense as they occur. Re-measurement (including actuarial gains and losses, changes in the effect of the asset ceiling, and the return on plan assets, excluding amounts included in net interest) is recognized in other comprehensive income (loss) in retained earnings as it occurs, and is not 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, net operating loss carryforwards, and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred taxes shall not be recognized for temporary differences from the following:

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

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

3) Initial recognition of goodwill.

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

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

Revenue

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

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

b. Sales of goods

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

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

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

   3) The amount can be reliably measured;

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

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

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

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

d. Customer loyalty program

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

e. Commissions

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

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

f. Revenue from room service and restaurants is recognized when the service is provided.

g. Dividend and interest income

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

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

Business 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	
	2017	2016
Cash on hand and revolving funds	$ 158,956	$ 149,138
Cash in banks	1,604,849	2,098,137
Time deposits	2,458,907	2,394,640
Government bonds with repurchase rights and short-term notes and bills	2,408,832	3,062,602
	$ 6,631,544	$ 7,704,517

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Domestic listed stock	$ 3,829,968	$ 3,414,959
Limited partnership	785,065	-
Beneficiary certificates	845,806	965,833
Foreign unlisted stock	28,269	45,426
	$ 5,489,108	$ 4,426,218
Current	$ 1,104,467	$ 1,231,871
Non-current	4,384,641	3,194,347
	$ 5,489,108	$ 4,426,218

8. ACCOUNTS AND NOTES RECEIVABLE, NET

	December 31	
	2017	2016
Notes receivable	$ 126,321	$ 265,974
Accounts receivable	14,969,546	15,681,563
Less: Allowance for doubtful accounts	(524,842)	(615,572)
Accounts receivable, net	14,444,704	15,065,991
	$ 14,571,025	$ 15,331,965

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

	December 31	
	2017	**2016**
Neither past due nor impaired	$ 14,192,631	$ 14,730,088
Past due but not impaired		
Past due within 30 days	174,746	217,750
Past due 31-60 days	35,775	77,494
Past due 61-120 days	25,785	24,391
Past due 121-180 days	10,257	9,833
Past due over 180 days	5,510	6,435
	$ 14,444,704	$ 15,065,991

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

	For the Year Ended December 31	
	2017	**2016**
Beginning balance	$ 615,572	$ 592,741
Add: Provision	343,796	387,597
Recovery	19,776	58,266
Less: Write-off	(454,302)	(422,947)
Effect of exchange rate changes	-	(85)
Ending balance	$ 524,842	$ 615,572

The Group entered into accounts receivable factoring contracts with asset management companies. The Group sold the asset management company 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:

Counterparty	**Amount of Accounts Receivable Sold**	**Proceeds from the Sale of Accounts Receivable**
May 2017		
Long Sun Asset Management Co., Ltd.	$ 727,245	$ 44,000
February 2016		
Long Sun Asset Management Co., Ltd.	$ 845,385	$ 46,644

9. INVENTORIES

	December 31 2017	December 31 2016
Merchandise	$ 4,319,254	$ 4,041,274
Materials for maintenance	12,555	30,474
	$ 4,331,809	$ 4,071,748

For the years ended December 31, 2017 and 2016, the cost of goods sold recognized in consolidated comprehensive income amounted to $48,658,404 thousand and $45,749,379 thousand, respectively, which included the reversal of inventory write-down, totaling $90,352 thousand and $33,278 thousand, respectively.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

	December 31			
	2017		2016	
Investee Company	**Amount**	**% of Ownership**	**Amount**	**% of Ownership**
Global Home Shopping Co., Ltd. (GHS) (Previously known as Beijing Global Gouguang Media Technology Co., Ltd.)	$ 781,922	20.00	$ 736,742	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	401,192	17.70	402,464	17.70
Kbro Media Co., Ltd. (Kbro Media)	178,825	32.50	243,670	32.50
TVD Shopping Co., Ltd. (TVD Shopping)	117,462	35.00	147,521	35.00
Alliance Digital Tech Co., Ltd. (ADT)	14,451	14.40	33,868	14.40
	$ 1,493,852		$ 1,564,265	

Aggregate information of associates that are not individually material:

	December 31 2017	December 31 2016
The Group's share of:		
Profit	$ 28,942	$ 51,824
Other comprehensive income (loss)	(42,395)	(14,531)
Comprehensive income	$ (13,453)	$ 37,293

a. GHS

In June 2015, momo's subsidiary 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 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 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.

On November 23, 2017, an extraordinary stockholders' meeting of TVD Shopping resolved to reduce capital. momo received $32,274 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 paying $30,000 thousand to subscribe for new stock issued by ADT. TWM still has significant influence on ADT due to having a seat on ADT's board of directors.

11. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

	Proportion of Non-controlling Interests' Ownership and Voting Rights	
	December 31	
Subsidiary	**2017**	**2016**
momo	54.99%	54.99%

For information on the principal place of business and the company's country of registration, see Table 8.

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	
	2017	**2016**
Current assets	$ 5,683,832	$ 5,715,073
Non-current assets	13,567,528	11,869,693
Current liabilities	(5,643,907)	(4,066,357)
Non-current liabilities	(266,474)	(265,341)
Equity	$ 13,340,979	$ 13,253,068

(Continued)

	For the Year Ended December 31	
	2017	2016
Equity attributable to:		
Owners of the parent	$ 9,195,737	$ 9,152,791
Non-controlling interests of momo	4,154,476	4,102,018
Non-controlling interests of momo's subsidiaries	(9,234)	(1,741)
	$ 13,340,979	$ 13,253,068
Operating revenues	$ 33,238,547	$ 28,080,788
Profit	$ 1,262,632	$ 1,166,228
Other comprehensive loss	(54,253)	(63,032)
Comprehensive income	$ 1,208,379	$ 1,103,196
Profit (loss) attributable to:		
Owners of the parent	$ 571,726	$ 532,229
Non-controlling interests of momo	698,356	650,598
Non-controlling interests of momo's subsidiaries	(7,450)	(16,599)
	$ 1,262,632	$ 1,166,228
Comprehensive income (loss) attributable to:		
Owners of the parent	$ 547,324	$ 503,931
Non-controlling interests of momo	668,548	616,033
Non-controlling interests of momo's subsidiaries	(7,493)	(16,768)
	$ 1,208,379	$ 1,103,196
Net cash generated from operating activities	$ 1,407,993	$ 1,206,149
Net cash used in investing activities	(330,976)	(601,863)
Net cash used in financing activities	(1,120,759)	(987,194)
Effect of exchange rate changes	(547)	186
Net decrease in cash	$ (44,289)	$ (382,722)
Dividends paid to non-controlling interests	$ (616,090)	$ (539,079)

(Concluded)

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Telecommunication Equipment and Machinery	Miscellaneous Equipment	Construction in Progress and Equipment to Be Inspected	Total
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

(Continued)

	Land	Buildings	Telecommuni- cation Equipment and Machinery	Miscellaneous Equipment	Construction in Progress and Equipment to Be Inspected	Total
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
Cost						
Balance, January 1, 2016	$ 10,306,780	$ 4,905,637	$ 86,948,140	$ 7,433,581	$ 2,821,435	$ 112,415,573
Additions	-	-	202,691	440,251	8,296,284	8,939,226
Reclassification	(2,014,922)	(1,002,418)	7,511,437	569,645	(8,114,792)	(3,051,050)
Disposals and retirements	-	(4,379)	(5,406,278)	(332,955)	(3,488)	(5,747,100)
Effect of exchange rate changes	-	-	(12,769)	(199)	-	(12,968)
Balance, December 31, 2016	$ 8,291,858	$ 3,898,840	$ 89,243,221	$ 8,110,323	$ 2,999,439	$ 112,543,681
Accumulated depreciation and impairment						
Balance, January 1, 2016	$ 83,426	$ 1,529,090	$ 58,103,733	$ 5,452,203	$ -	$ 65,168,452
Depreciation	-	132,530	9,519,768	985,678	-	10,637,976
Reclassification	-	(384,276)	(1,353)	(665)	-	(386,294)
Disposals and retirements	-	(4,379)	(4,973,643)	(304,832)	-	(5,282,854)
Effect of exchange rate changes	-	-	(8,682)	(146)	-	(8,828)
Balance, December 31, 2016	$ 83,426	$ 1,272,965	$ 62,639,823	$ 6,132,238	$ -	$ 70,128,452
Carrying amount, December 31, 2016	$ 8,208,432	$ 2,625,875	$ 26,603,398	$ 1,978,085	$ 2,999,439	$ 42,415,229

(Concluded)

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

Buildings	
Primary buildings	20-55 years
Mechanical and electrical equipment	5-15 years
Telecommunication equipment and machinery	2-20 years
Miscellaneous equipment	2-20 years

b. The non-cash investing activities of the Group for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	2016
Acquisition of property, plant and equipment	$ 9,908,772	$ 8,939,226
Non-cash investing activities		
Changes in other payables	(682,498)	1,037,732
Changes in provisions	(44,783)	(44,286)
Cash paid for acquisition of property, plant and equipment	$ 9,181,491	$ 9,932,672

13. 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 the income approach, comparative approach, and cost approach by HomeBan Appraisers Joint Firm. As of December 31, 2017 and 2016, the fair values of investment properties were $6,720,319 thousand and $6,691,275 thousand, respectively, and the capitalization rates for both years were 0.94%-5.23%.

14. INTANGIBLE ASSETS

	Concessions			Other Intangible Assets				
	Concession Licenses	**Service Concessions**	**Goodwill**	**Computer Software**	**Customer Relationships**	**Operating Rights**	**Trademarks**	**Total**
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
Cost								
Balance, January 1, 2016	$42,724,375	$ 8,180,697	$15,845,930	$ 2,948,499	$ 2,654,089	$ 1,382,000	$ 2,517,866	$76,253,456
Addition	-	-	-	174,670	-	-	-	174,670
Disposals and retirements	-	-	-	(135,811)	-	-	-	(135,811)
Adjustment and reclassification	-	(619)	-	303,759	-	-	-	303,140
Effect of exchange rate changes	-	-	-	(1,702)	-	-	-	(1,702)
Balance, December 31, 2016	$42,724,375	$ 8,180,078	$15,845,930	$ 3,289,415	$ 2,654,089	$ 1,382,000	$ 2,517,866	$76,593,753
Accumulated amortization and impairment								
Balance, January 1, 2016	$ 9,964,550	$ 495,181	$ -	$ 2,288,861	$ 1,101,463	$ -	$ 977	$13,851,032
Amortization	2,401,725	178,686	-	484,688	136,400	-	190	3,201,689
Disposals and retirements	-	-	-	(135,811)	-	-	-	(135,811)
Effect of exchange rate changes	-	-	-	(1,139)	-	-	-	(1,139)
Balance, December 31, 2016	$12,366,275	$ 673,867	$ -	$ 2,636,599	$ 1,237,863	$ -	$ 1,167	$16,915,771
Carrying amount, December 31, 2016	$30,358,100	$ 7,506,211	$15,845,930	$ 652,816	$ 1,416,226	$ 1,382,000	$ 2,516,699	$59,677,982

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

a. Concession licenses

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

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, trademarks, and operating rights

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 more than 50% of momo. TWM measured the fair value of the acquired assets and viewed momo's retail business as one cash-generating unit. Accordingly, trademarks are identified as major intangible assets.

d. Goodwill

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

	December 31	
	2017	**2016**
Mobile communication service	$ 7,238,758	$ 7,238,758
Fixed network service	357,970	357,970
Cable television business	3,269,636	3,269,636
Retail business	4,979,566	4,979,566
	$ 15,845,930	$ 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) Mobile communication service

a) Assumptions on cash flows

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

b) Assumptions on operating revenues

After taking changes in the telecom industry and 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, 2017 and 2016, the discount rates used to calculate TWM's asset recoverable amounts were 6.81% and 6.31%, 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, 2017 and 2016, the discount rates were 7.8% and 7.06%, respectively, in calculating TFN's asset recoverable amounts.

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 asset recoverable amounts for each system operator ranged from 3.86% to 3.90% and from 5.84% to 6.52% for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, the discount rates in calculating asset recoverable amounts were 8.86% and 10.27%, 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, 2017 and 2016.

15. OTHER NON-CURRENT ASSETS

	December 31	
	2017	2016
Long-term accounts receivable	$ 4,059,680	$ 4,648,593
Refundable deposits	608,184	596,781
Prepayments for equipment	61,914	58,546
Others	502,638	501,803
	$ 5,232,416	$ 5,805,723

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2017	2016
Unsecured loans	$ 9,662,318	$ 7,363,005
Annual interest rate	0.7%-5.44%	0.7%-5.22%

For the information on endorsements and guarantees and pledged deposits, see Note 29, Note 30 (b) and Table 2.

b. Short-term notes and bills payable

	December 31	
	2017	2016
Short-term notes and bills payable	$ 5,600,000	$ -
Less: Discounts on short-term notes and bills payable	(4,108)	-
	$ 5,595,892	$ -
Annual interest rate	0.528%-0.75%	-

c. Long-term borrowings

	December 31	
	2017	2016
Unsecured loans	$ 19,000,000	$ 21,828,000
Secured loans	3,395,962	2,972,582
Less: Current portion	(8,203,289)	(3,352,891)
	$ 14,192,673	$ 21,447,691
Annual interest rate:		
Unsecured loans	0.72%-1.26%	0.71%-1.9926%
Secured loans	2.0337%	2.2211%

1) Unsecured loans

The Group entered into credit facility agreements with a group of banks for mid-term requirements of operating capital. The credit facilities last from 2 to 3 years from the date of drawdown or contracting, 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 loans are repayable from April 2018 to April 2019, 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 29.

17. BONDS PAYABLE

	December 31	
	2017	2016
3rd domestic unsecured bonds	$ 8,998,958	$ 8,998,203
4th domestic unsecured bonds	2,899,901	5,799,381
3rd domestic unsecured convertible bonds	9,650,076	9,562,188
Less: Current portion	(7,399,528)	(2,899,876)
	$ 14,149,407	$ 21,459,896

a. 3rd domestic unsecured 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, 2017, the amount of unamortized bond issue cost was $1,042 thousand. The trustee of bond issuers is Hua Nan Commercial Bank.

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

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

b. 4th domestic unsecured bonds

On April 25, 2013, TWM issued $5,800,000 thousand of five-year 4th domestic unsecured bonds, each having a face value of $10,000 thousand and a coupon rate of 1.29% per annum, with simple interest due annually. Repayment will be made in the fourth and fifth years with equal installments, i.e., $2,900,000 thousand. As of December 31, 2017, the amount of unamortized bond issue cost was $99 thousand. The trustee of bond issuers is Hua Nan Commercial Bank.

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

Year	**Amount**
2018	$ 2,900,000

c. 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 $110.3 per share since July 17, 2017. 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 issuers 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.

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	9,583
Liability component at December 31, 2016	9,562,188
Interest charged at an effective interest rate	87,888
Liability component at December 31, 2017	$ 9,650,076

As of December 31, 2017, the amount of unamortized bond issue cost was $349,924 thousand.

18. PROVISIONS

	December 31	
	2017	2016
Restoration	$ 1,208,093	$ 1,186,572
Decommissioning	213,372	160,923
Warranties	128,412	161,066
	$ 1,549,877	$ 1,508,561
Current	$ 178,008	$ 202,873
Non-current	1,371,869	1,305,688
	$ 1,549,877	$ 1,508,561

	Restoration	Decommis-sioning	Warranties	Total
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
Balance, January 1, 2016	$ 1,160,809	$ 110,876	$ 125,776	$ 1,397,461
Provision	79,502	46,511	234,314	360,327
Payment/Reversal	(62,106)	-	(199,024)	(261,130)
Unwinding of discount	8,367	3,536	-	11,903
Balance, December 31, 2016	$ 1,186,572	$ 160,923	$ 161,066	$ 1,508,561

19. 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 $296,209 thousand and $286,307 thousand for the years ended December 31, 2017 and 2016, respectively.

b. Defined benefit plan

The Group contributed 2% of each employee's monthly wages to the pension fund, with Bank of Taiwan acting as the custodian bank, in accordance with the defined benefit plans. The plan, under the Labor Standards Law, provides benefits based on an employee's years of service and average monthly salary for six-month period prior to 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	
	2017	**2016**
Present value of defined benefit obligations	$ 1,284,048	$ 1,182,705
Fair value of plan assets	(841,004)	(813,383)
Net defined benefit liabilities	$ 443,044	$ 369,322

The movements in present value of defined benefit obligations for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	**2016**
Balance, January 1	$ 1,182,705	$ 1,062,292
Current service costs	1,995	2,266
Past service costs	-	(1,416)
Interest costs	17,692	16,206
Actuarial loss - changes in demographic assumptions	56,695	64,643
Actuarial loss - changes in financial assumptions	6,759	6,511
Actuarial loss - experience adjustments	30,683	40,761
The plan assets of benefits paid	(12,481)	(8,558)
Balance, December 31	$ 1,284,048	$ 1,182,705

The movements in the fair value of the plan assets for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	**2016**
Balance, January 1	$ 813,383	$ 787,656
Net interest income	12,413	12,337
Return on plan assets (excluding amounts included in net interest)	(4,416)	(6,691)
Contributions from the employer	32,105	28,639
The plan assets of benefits paid	(12,481)	(8,558)
Balance, December 31	$ 841,004	$ 813,383

The expenses recognized in profit or loss for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	2016
Current service costs	$ 1,995	$ 2,266
Past service costs	-	(1,416)
Interest cost	17,692	16,206
Net interest income	(12,413)	(12,337)
	$ 7,274	$ 4,719

The pre-tax re-measurements recognized in other comprehensive income (loss) for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31	
	2017	2016
Return on plan assets (excluding amounts included in net interest)	$ 4,416	$ 6,691
Actuarial loss - changes in demographic assumptions	56,695	64,643
Actuarial loss - changes in financial assumptions	6,759	6,511
Actuarial loss - experience adjustments	30,683	40,761
	$ 98,553	$ 118,606

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	
	2017	2016
Discount rate	1.25%-1.625%	1.25%-1.50%
Long-term average adjustment rate of salary	2.50%-3.00%	2.50%-3.00%

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

	December 31	
	2017	2016
Discount rate		
0.25% increase	$ (46,698)	$ (44,926)
0.25% decrease	$ 48,878	$ 47,106
Long-term average adjustment rate of salary		
0.25% increase	$ 47,655	$ 45,951
0.25% decrease	$ (45,780)	$ (44,069)

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	
	2017	2016
The expected contributions to the plan for the next year	$ 33,293	$ 33,308
The average duration of the defined benefit obligation	12-18.7 years	12-20 years

20. EQUITY

a. Common stock

As of both December 31, 2017 and 2016, the TWM’s capital authorized was $60,000,000 thousand and capital issued and outstanding was $34,208,328 thousand. The issued capital was divided into 3,420,833 thousand shares, which were all common stocks, at a par value of $10.

b. Capital surplus

	December 31	
	2017	2016
Additional paid-in capital from convertible corporate bonds	$ 7,708,764	$ 8,775,820
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	511,562	511,562
Convertible bonds payable options	400,564	400,564
Changes in equity of associates accounted for using equity method	39,767	36,014
Others	32,952	15,418
	$ 13,939,278	$ 14,985,047

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 amendments to the ROC Company Act made in May 2015, the recipients of dividends and bonuses are limited to stockholders and do not include employees. The stockholders held the annual general stockholders' meeting ("AGM") on June 15, 2016 and, in that meeting, resolved to make amendments to TWM's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on the distribution of employees' compensation and remuneration of directors.

The policy on the appropriation of earnings and dividend distribution in the amended Articles provided that, in the event that TWM, according to the final settlement, earns profits in a fiscal year, such profits 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 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 2016 and 2015 earnings appropriations having been approved in the AGM on June 14, 2017 and June 15, 2016, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2016	**For Fiscal Year 2015**	**For Fiscal Year 2016**	**For Fiscal Year 2015**
Appropriation of legal reserve	$ 1,532,018	$ 1,568,619		
Appropriation of special reserve	(483,920)	870,968		
Cash dividends to stockholders	14,176,599	15,243,655	$ 5.208	$ 5.60

The cash dividends of $5.208 per share mentioned above will be distributed from unappropriated earnings. 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 $1,067,056 thousand, that is, $0.392 per share. Total appropriations distributed were $5.6 per share for 2016.

TWM's 2017 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 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)
Balance, January 1, 2016	$ 22,386	$ (1,196,340)	$ (1,173,954)
Exchange differences on translation	(34,617)	-	(34,617)
Changes in fair value of available-for-sale financial assets	-	534,421	534,421
Changes in other comprehensive income (loss) of associates accounted for using equity method	3,098	(18,982)	(15,884)
Balance, December 31, 2016	$ (9,133)	$ (680,901)	$ (690,034)

e. Treasury stock

As of December 31, 2017 and 2016, TWM's stocks held for the investment purposes by TCCI, TUI and TID, which are all wholly-owned by TWM, were both 698,752 thousand shares, and the market values were $75,115,797 thousand and $72,670,167 thousand, respectively. Since TWM's stocks held by its subsidiaries are regarded as treasury stock, TWM recognized both $29,717,344 thousand, as treasury stock. For those treasury stock holders, they have the same rights as the other stockholders, except that they are not allowed to subscribe new shares issued by TWM for cash. In addition, based on the ROC Company Act, subsidiaries with over 50% stockholding owned by TWM cannot exercise the voting rights over such treasury stock.

f. Non-controlling interests

	For the Year Ended December 31	
	2017	**2016**
Beginning balance	$ 5,769,645	$ 5,736,019
Portion attributable to non-controlling interests		
Profit	756,611	608,256
Exchange differences on translation	(5,318)	(34,714)
Unrealized losses on available-for-sale financial assets	(20,446)	(813)
Re-measurements from defined benefit plans	137	(778)
Share of other comprehensive income (loss) of associates accounted for using equity method	(4,244)	1,565
Changes in equity of associates accounted for using equity method	-	(75)
Cash dividends paid to non-controlling interests of subsidiaries	(616,647)	(539,625)
Decrease in non-controlling interests	-	(190)
Ending balance	$ 5,879,738	$ 5,769,645

21. OPERATING REVENUES

	For the Year Ended December 31	
	2017	**2016**
Telecommunication and value-added services	$ 57,877,419	$ 61,304,462
Sales revenue	52,221,069	48,112,301
Cable TV and broadband services	6,233,601	6,391,167
Other operating revenues	839,018	839,568
	$ 117,171,107	$ 116,647,498

22. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Year Ended December 31	
	2017	2016
Interest income	$ 164,036	$ 164,174
Rental income	152,266	78,515
Dividend income	72,407	80,168
Other income	7,359	57,100
	$ 396,068	$ 379,957

b. Other gains and losses, net

	For the Year Ended December 31	
	2017	2016
Loss on disposal of property, plant and equipment, net	$ (350,074)	$ (457,819)
Valuation loss on financial assets at fair value through profit or loss	(39,319)	(112,234)
Valuation gain (loss) on financial liabilities at fair value through profit or loss	32,000	(6,000)
Impairment losses on financial assets at cost	(6,180)	(2,209)
Gain on disposal of investments	3,000	-
Estimated loss from lawsuits	(765,779)	-
Loss on foreign exchange	(90,793)	(41,438)
Others	(35,469)	33,064
	$ (1,252,614)	$ (586,636)

c. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest expense		
Bank loans	$ 312,699	$ 395,152
Corporate bonds	258,960	206,799
Others	64,923	78,307
	636,582	680,258
Less: Capitalized interest	(3,057)	(6,819)
	$ 633,525	$ 673,439
Capitalization rates	1.34%	1.33%

23. INCOME TAX

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2017	2016
Current income tax expense		
Current period	$ 2,928,230	$ 3,698,509
Prior years' adjustment	(57,806)	632,661
	2,870,424	4,331,170
Deferred income tax expense		
Temporary differences	(187,928)	(1,068,141)
Income tax expense	$ 2,682,496	$ 3,263,029

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

	For the Year Ended December 31	
	2017	2016
Profit before tax	$ 17,631,283	$ 19,191,472
Income tax expense at domestic statutory tax rate (17%)	$ 2,997,318	$ 3,262,550
Effect of different tax rates on the Group entities	352	(4,043)
Adjustment items in determining taxable profit	101,440	417,348
Temporary differences	(187,928)	(1,068,141)
Investment tax credits	(219,560)	-
Prior years' other adjustments	(2,916)	632,661
Loss carryforwards	(6,545)	22,625
Land value increment tax	335	-
Income tax on unappropriated earnings	-	29
	$ 2,682,496	$ 3,263,029

The applicable tax rate used by TWM in the ROC is 17% for 2016 and 2017.

In January 2018, it was announced that the Income Tax Law in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. 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	
	2017	2016
Deferred income tax income		
Re-measurements from defined benefit plans	$ 16,754	$ 20,163

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, 2017 and 2016, were as follows:

	Property, Plant and Equipment	Defined Benefit Plans	Others	Total
Deferred tax assets				
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
Balance, January 1, 2016	$ 604,781	$ 77,398	$ 129,603	$ 811,782
Recognized in profit or loss	(76,162)	(15,640)	(30,963)	(122,765)
Recognized in other comprehensive income (loss)	-	19,639	-	19,639
Balance, December 31, 2016	$ 528,619	$ 81,397	$ 98,640	$ 708,656

	Accounts Receivable	Intangible Assets	Others	Total
Deferred tax liabilities				
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
Balance, January 1, 2016	$ 1,358,862	$ 600,333	$ 55,115	$ 2,014,310
Recognized in profit or loss	(1,225,959)	55,834	(20,781)	(1,190,906)
Recognized in other comprehensive income (loss)	-	-	(524)	(524)
Balance, December 31, 2016	$ 132,903	$ 656,167	$ 33,810	$ 822,880

2) Unrecognized deferred tax assets items

	December 31	
	2017	2016
Loss carryforwards	$ 776,131	$ 1,257,305

As of December 31, 2017, the Group had not recognized the prior years' loss carryforwards as deferred tax assets. The expiry years are as follows:

Remaining Creditable Amount	Expiry Year
$ 223,817	2018
200,633	2019
178,074	2020
49,226	2021
24,408	2022
67,631	2023
27,577	2025
4,530	2026
235	2027
$ 776,131	

d. Integrated income tax information

As of December 31, 2017, there were no unappropriated earnings generated before 1997.

	December 31	
	2017	2016
Balance of TWM's imputation credits account (ICA)	$ 1,855,793	$ 1,656,478

	For the Year Ended December 31	
	2017 (Expected)	2016
Creditable ratio for distribution of earnings	Note	20.99%

Note: The expected creditable ratio for the distribution of earnings of TWM was 21.05%. Since the announced amended Income Tax Act in January 2018 abolished the imputation tax system, no creditable ratio for the distribution of earnings in 2018 is expected.

e. 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	2015
WMT	2015
TNH	2016
TFN	2015
TT&T	2015
TCCI	2015
TDC	2016
TDS	2015
TFNM	2015
GFMT	2015
GWMT	2015
WTVB	2015
TUI	2015

(Continued)

Company	Year
TID	2015
TKT	2015
YJCTV	2015
MCTV	2015
PCTV	2015
UCTV	2015
GCTV	2015
momo	2015
FLI	2016
FPI	2016
FST	2016

(Concluded)

24. EARNINGS PER SHARE

	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

	For the Year Ended December 31, 2016		
	Amount After Income Tax	Weighted-average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of the parent	$ 15,320,187	2,722,081	$ 5.63
Effect of potential dilutive common stock:			
Employees' compensation	-	5,104	
Convertible bonds	15,583	9,413	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	$ 15,335,770	2,736,598	$ 5.60

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 rentals payable of operating leases are as follows:

	December 31	
	2017	2016
Less than one year	$ 3,190,293	$ 3,138,464
Between one and five years	5,301,622	4,357,600
More than five years	71,922	86,259
	$ 8,563,837	$ 7,582,323

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	
	2017	2016
Minimum lease payment	$ 3,726,747	$ 3,632,814
Sublease payment	(7,087)	(5,477)
	$ 3,719,660	$ 3,627,337

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	
	2017	2016
Less than one year	$ 145,965	$ 134,673
Between one and five years	546,723	543,754
More than five years	157,515	285,962
	$ 850,203	$ 964,389

26. 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 stockholders' 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.

27. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	December 31 2017	December 31 2016
Financial assets		
Financial assets at fair value through profit or loss	$ -	$ 42,030
Available-for-sale financial assets (including current and non-current portions)	5,489,108	4,426,218
Financial assets carried at cost	171,221	188,548
Loans and receivables:		
Cash and cash equivalents	6,631,544	7,704,517
Receivables (including current and non-current portions)	20,528,898	21,351,373
Debt instrument investment without active market (including current and non-current portions)	465,654	423,481
Other financial assets (including current and non-current portions)	2,923,941	4,144,717
Refundable deposits	608,184	596,781
Subtotal	31,158,221	34,220,869
Total	$ 36,818,550	$ 38,877,665
Financial liabilities		
Short-term borrowings	$ 9,662,318	$ 7,363,005
Short-term notes and bills payable	5,595,892	-
Payables (including current and non-current portions)	20,025,067	17,794,396
Financial liabilities at fair value through profit or loss	9,961	41,961
Bonds payable (including current portion)	21,548,935	24,359,772
Long-term borrowings (including current portion)	22,395,962	24,800,582
Guarantee deposits	978,816	887,163
Total	$ 80,216,951	$ 75,246,879

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 2017 Carrying Amount	2017 Fair Value	2016 Carrying Amount	2016 Fair Value
Financial liabilities				
Bonds payable (including current portion)	$ 21,548,935	$ 22,151,528	$ 24,359,772	$ 24,971,227

The fair value of bonds payable is measured by Level 2 inputs, using a volume-weighted-average price on the OTC at the end of the reporting period.

2) Fair value measurements recognized in the consolidated balance sheets

The table below provides the related analysis of financial instruments at fair value after initial recognition. Based on the extent that fair value can be observed, the fair value measurements are grouped into Levels 1 to 3:

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

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

December 31, 2017

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

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ -	$ -	$ 42,030	$ 42,030
Available-for-sale financial assets				
Domestic listed stock	$ 3,414,959	$ -	$ -	$ 3,414,959
Beneficiary certificates	965,833	-	-	965,833
Foreign unlisted stocks	-	45,426	-	45,426
	$ 4,380,792	$ 45,426	$ -	$ 4,426,218
Financial liabilities at fair value through profit or loss	$ -	$ 41,961	$ -	$ 41,961

There was no transfer between the fair value measurements of Levels 1 and 2 for the year ended December 31, 2017. Transfer between Level 1 and Level 2 for the year ended December 31, 2016 was mainly due to the changes in the source of valuation.

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. 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 and 2016, the historical volatility of stock prices was estimated at 45.10% and 68.91%, respectively, and the liquidity discount rate was estimated at 10.53% and 30.56%, respectively. 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. The fair value of limited partnerships investments was evaluated through the market approach and income approach. The evaluation and assumptions mainly referenced related information of comparable market targets and estimated future cash flows.

3) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2017

	Financial Assets at Fair Value Through Profit or Loss - Derivatives Instruments	Available-for-sale Financial Assets - Limited Partnerships
Balance at January 1, 2017	$ 42,030	$ -
Purchases	-	810,865
Recognized in profit or loss		
Valuation loss on financial assets at fair value through profit or loss	(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

For the year ended December 31, 2016

	Financial Assets at Fair Value Through Profit or Loss - Derivatives Instruments	Available-for-sale Financial Assets - Limited Partnerships
Balance at January 1, 2016	$ 158,322	$ -
Recognized in profit or loss		
Valuation loss on financial assets at fair value through profit or loss	(112,234)	-
Unrealized loss on foreign currency exchange	(4,058)	-
Balance at December 31, 2016	$ 42,030	$ -

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

4) Liquidity risk

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

The Group manages and maintains sufficient 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, 2017 and 2016, the Group had unused bank facilities of $52,113,192 thousand and $53,599,608 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, 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
December 31, 2016				
Unsecured loans	$ 29,506,748	$ 10,709,592	$ 18,797,156	$ -
Secured loans	3,180,198	273,132	2,907,066	-
Bonds payable	25,213,730	3,095,420	22,118,310	-
	$ 57,900,676	$ 14,078,144	$ 43,822,532	$ -

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, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Foreign currency assets			
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
Foreign currency liabilities			
Monetary items			
RMB	4,444	4.56	20,265
USD	13,575	29.77	404,123
EUR	24	35.55	855

	December 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Foreign currency assets			
Monetary items			
RMB	$ 5,376	4.629	$ 24,885
USD	44,373	32.28	1,432,354
HKD	102,060	4.161	424,671
EUR	1,515	33.75	51,121
Non-monetary items			
RMB	159,158	4.629	736,742
HKD	21,018	4.161	87,456
THB	163,007	0.905	147,521
Foreign currency liabilities			
Monetary items			
RMB	4,444	4.629	20,571
USD	11,330	32.28	365,710
EUR	19	33.75	651

The Group's foreign exchange gains and losses, including realized and unrealized, for the years ended December 31, 2017 and 2016, were net exchange loss of $90,793 thousand and $41,438 thousand, respectively. Due to the variety of functional currencies, the Group could not disclose the foreign exchange gains (losses) for each foreign currency with significant influence.

Sensitivity analysis

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts denominated in 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 $56,354 thousand and $77,305 thousand for the years ended December 31, 2017 and 2016, 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	
	2017	2016
Fair value interest rate risk		
Financial assets	$ 7,657,551	$ 9,384,999
Financial liabilities	31,194,752	30,897,585
Cash flow interest rate risk		
Financial assets	1,714,113	2,307,317
Financial liabilities	18,358,279	16,063,586

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 $83,221 thousand and $68,781 thousand for the years ended December 31, 2017 and 2016, respectively.

c) Other market price risk

The Group's exposure to equity price risk is mainly due to holding of equity financial instruments. 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), other comprehensive income would have decreased by $274,455 thousand and $221,311 thousand for the years ended December 31, 2017 and 2016, respectively.

28. 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 ZhiQun Enterprise Ltd.	Associates (subsidiary of GHS)
Beijing Global JiuSha Media Technology Co., Ltd.	Associates (subsidiary of GHS)
Beijing YueShih JiuSha Media Technology 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
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Other related parties
Fubon Insurance Co., Ltd. (Fubon Ins.)	Other related parties
Fubon Securities Investment Trust Co., Ltd. (FSIT)	Other related parties
Fubon Property Management Co., Ltd. (FPM)	Other related parties
Fu Yi Health Management Co. Ltd. (FYHM)	Other related parties
Fubon Financial Holding Co., Ltd.	Other related parties
Fubon Life Insurance (HK) Ltd.	Other related parties

(Continued)

Related Party	Nature of Relationship
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 Sports & Entertainment Co., Ltd.	Other related parties
Fubon Asset Management Co., Ltd.	Other related parties
Taiwan Sports Lottery 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 Real Estate Management Co., Ltd.	Other related parties
Fubon Hospitality Management Co., Ltd.	Other related parties
Chung Hsing Constructions Co., Ltd.	Other related parties
Ming Dong Co., Ltd.	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
We Share Entertainment Co., Ltd.	Associates (subsidiary of Kbro Media, not a related party since April 1, 2016)
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

(Concluded)

c. Significant transactions with related parties

1) Operating revenue

	For the Year Ended December 31	
	2017	2016
Associates	$ 49,319	$ 89,550
Other related parties	851,555	429,484
	$ 900,874	$ 519,034

The Group renders telecommunication, 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	
	2017	2016
Associates	$ 404,277	$ 376,218
Other related parties	795,536	590,164
	$ 1,199,813	$ 966,382

The entities mentioned above provide logistics, copyright 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	2017	2016
Accounts receivable	Associates	$ 7,405	$ 4,367
Accounts receivable	Other related parties	99,070	79,174
		$ 106,475	$ 83,541
Other receivables	Associates	$ 123,781	$ 94,873
Other receivables	Other related parties	74,100	66,936
		$ 197,881	$ 161,809

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

4) Payables due to related parties

		December 31	
Account	Related Party Categories	2017	2016
Accounts payable	Associates	$ 502	$ 507
Accounts payable	Other related parties	129,130	145,475
		$ 129,632	$ 145,982
Other payables	Associates	$ 95,714	$ 34,402
Other payables	Other related parties	67,680	74,203
		$ 163,394	$ 108,605

5) Prepayments

	December 31	
	2017	2016
Other related parties		
Fubon Ins.	$ 56,138	$ 36,005

6) Borrowings from related parties

	December 31	
	2017	2016
Other related parties	$ -	$ 63,005

The rate on borrowings from related parties was equivalent to the rate in the market. As of December 31, 2016, the Group had drawn $16,250 thousand of performance bonds from the related parties.

7) Bank deposits, time deposits and other financial assets

	December 31	
	2017	2016
Other related parties		
TFCB	$ 1,185,528	$ 2,273,279
Others	8,530	13,576
	$ 1,194,058	$ 2,286,855

8) Acquisition of available-for-sale financial assets - current

The Group purchased beneficiary certificates from FSIT amounting to $120,000 thousand in 2017.

9) Disposal of available-for-sale financial assets - current

The Group sold the beneficiary certificates to FSIT, which were originally purchased from FSIT, for $120,012 thousand, resulting in a disposal gain of $12 thousand in 2017.

10) Investments acquired

In December 2016, the Group acquired new shares from ADT, amounting to $30,000 thousand.

11) Others

	December 31	
	2017	2016
Guarantee deposits		
Other related parties	$ 48,459	$ 48,279
Operating expenses		
Other related parties		
TMF	$ 15,000	$ 20,000
TNHF	5,000	5,000
Fubon Life	151,794	151,139
FPM	66,740	77,114
TFCB	271,397	266,541
Others	86,679	38,355
	$ 596,610	$ 558,149

	For the Year Ended December 31	
	2017	2016
Non-operating income		
Other related parties		
FYHM	$ 15,403	$ 2,559

Operating expenses and non-operating income include rental expenses and rental income. 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	
	2017	2016
Short-term employee benefits	$ 309,860	$ 313,477
Termination and post-employment benefits	22,054	10,518
	$ 331,914	$ 323,995

29. ASSETS PLEDGED

The assets pledged as collateral for bank borrowings and syndicated loans, lawsuits, purchases, loan commitments and performance bonds were as follows:

	December 31	
	2017	2016
Other current financial assets	$ 2,552,383	$ 2,650,196
Services concessions	7,327,492	7,506,211
Other non-current financial assets	128,987	125,953
	$ 10,008,862	$ 10,282,360

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	December 31	
	2017	2016
Purchases of property, plant and equipment	$ 3,683,121	$ 3,983,037
Purchases of cellular phones	$ 3,316,989	$ 7,728,902

b. As of December 31, 2017 and 2016, the amounts of endorsements and guarantees (provided to group entities) were $21,618,400 thousand and $21,688,870 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 $1,021,108 thousand and $15,699 thousand, respectively, as of December 31, 2017.

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, 2017, the cable television companies had provided $66,546 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 $23,397 thousand and $13,649 thousand, respectively, as of December 31, 2017.

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 $1,773 thousand as of December 31, 2017.

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, 2017, $506,594 thousand (tax included) of the concession had been paid.

3) Performance guarantee:

As of December 31, 2017, 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. 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") on January 15, 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) 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. On May 23, 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. 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 has estimated and accrued for the related compensation loss and interest expense. TWM will also consult with the lawyers for any further reactions.

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. 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

In February 2018, the Board of Directors resolved that TWM would issue unsecured corporate bonds with a total amount not higher than $15 billion.

32. OTHERS

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

	For the Year Ended December 31					
	2017			2016		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	$ 2,079,506	$ 4,216,796	$ 6,296,302	$ 2,051,054	$ 4,119,061	$ 6,170,115
Insurance expenses	170,257	376,272	546,529	163,600	352,406	516,006
Pension	94,079	200,388	294,467	91,218	190,672	281,890
Others	105,828	260,996	366,824	101,786	245,331	347,117
Depreciation	9,884,719	385,215	10,269,934	10,169,163	468,813	10,637,976
Amortization	2,959,938	435,281	3,395,219	2,748,970	452,719	3,201,689

a. Information of employees' compensation and remuneration of directors

In accordance with the amendments to the Company Act in May 2015 and the amended TWM's Articles resolved in the AGM in June 2016, estimated employees' compensation and remuneration of directors are 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, and remuneration of directors were made by applying the rates to the aforementioned profit before income tax, for the years ended December 31, 2017 and 2016, 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 2017 and 2016 shown below were approved by the Board of Directors on February 1, 2018 and January 25, 2017, respectively. The differences with the amounts recognized in the consolidated financial statements have been adjusted in 2018 and 2017, respectively.

	For the Year Ended December 31			
	2017		2016	
	Employees' Compensation Paid in Cash	Remuneration of Directors	Employees' Compensation Paid in Cash	Remuneration of Directors
Amounts approved by the Board of Directors	$ 453,359	$ 45,336	$ 468,063	$ 46,806
Amounts recognized in the consolidated financial statements	$ 438,728	$ 43,873	$ 494,483	$ 49,448

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.

b. For the years ended December 31, 2017 and 2016, the depreciation expense in non-operating expenses was $24,333 thousand and $12,150 thousand, respectively.

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: Table 4 (attached)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: Table 5 (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 6 (attached)

8) Receivables from related parties of at least NT$100 million or 20% of the paid-in capital: Table 7 (attached)

9) Names, locations and related information of investees on which TWM exercised significant influence: Table 8 (attached) (excluding information on investment in Mainland China)

10) Trading in derivative instruments: Note 27

11) Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 9 (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 10 (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 9 (attached)

34. SEGMENT INFORMATION

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

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

Retail: Providing 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, 2017	Telecommunication	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
Other gains and losses, net	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	27,516,397	1,515,453	3,276,498	390,133	83,417	32,781,898

For the Year Ended December 31, 2016	Telecommunication	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	$ 81,849,939	$ 28,080,788	$ 6,533,272	$ 565,567	$ (382,068)	$ 116,647,498
Operating costs	50,667,418	24,769,608	3,130,701	404,841	(182,050)	78,790,518
Operating expenses	15,543,826	2,041,246	806,657	92,940	(224,273)	18,260,396
Other gains and losses, net	426,598	484	35,913	-	(39,813)	423,182
Profit	16,065,293	1,270,418	2,631,827	67,786	(15,558)	20,019,766
EBITDA	28,568,057	1,370,711	3,503,892	278,661	150,260	33,871,581

a. Geographical information

The Group's revenues are generated mostly from domestic business.

b. Information on major customers

The Group does not have revenues from a single customer that exceeds 10% of the consolidated operating revenues.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING EXTENDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits	Note
													Item	Value			
1	TCC	TWM	Other receivables	Yes	$ 400,000	$ 400,000	$ 350,000	1.09033%-1.09267%	Short-term financing	$ -	Operation requirements	$ -	-	$ -	$ 34,482,965	$ 34,482,965	Note 2
2	WMT	TWM	Other receivables	Yes	3,000,000	3,000,000	1,740,000	1.08700%-1.11733%	Short-term financing	-	Operation requirements	-	-	-	8,167,731	8,167,731	Note 2
		TKT	Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,167,731	8,167,731	Note 2
		TFNM	Other receivables	Yes	3,000,000	3,000,000	1,940,000	1.09311%-1.11767%	Short-term financing	-	Operation requirements	-	-	-	8,167,731	8,167,731	Note 2
		WTVB	Other receivables	Yes	600,000	600,000	290,000	1.09278%-1.09311%	Short-term financing	-	Operation requirements	-	-	-	8,167,731	8,167,731	Note 2
3	TFN	TWM	Other receivables	Yes	9,000,000	9,000,000	5,740,000	1.09033%-1.09311%	Short-term financing	-	Operation requirements	-	-	-	22,285,232	22,285,232	Note 2
4	YJCTV	TFNM	Other receivables	Yes	370,000	240,000	200,000	1.09067%-1.09333%	Transactions	502,509	-	-	-	-	502,509	723,304	Note 3
5	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	1.09067%-1.09244%	Transactions	560,501	-	-	-	-	560,501	1,006,633	Note 3
6	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	1.09067%-1.09244%	Short-term financing	-	Repayment of financing	-	-	-	278,160	501,689	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.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2017

(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	$ 8,435,050	$ -	36.05	$ 59,631,863	Y	N	N	Notes 3 and 4
		TKT	Note 2	259,800	50,000	50,000	50,000	-	0.08	59,631,863	Y	N	N	Note 3
1	momo	FGE	Note 2	734,799	205,200	68,400	68,400	-	1.16	5,876,747	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, 2017

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2017				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
TWM	Stock							
	Chunghwa Telecom Co., Ltd.	-	Current available-for-sale financial assets	2,174	$ 230,392	0.028	$ 230,392	
	Asia Pacific Telecom Co., Ltd.	-	Non-current available-for-sale financial assets	148,255	1,479,585	3.45	1,479,585	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at cost	800	7,050	10	-	
	Limited Partnerships							
	Grand Academy Investment, L.P.	-	Non-current available-for-sale financial assets	-	614,513	21.67	614,513	Note 1
	Starview Heights Investment, L.P.	-	Non-current available-for-sale financial assets	-	170,552	21.67	170,552	Note 1
TCC	Stock							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at cost	6,998	67,731	5.21	-	
	Parawin Venture Capital Corp.	-	Non-current financial assets at cost	1,312	2,993	3	-	
TFN	Stock							
	Taiwan High Speed Rail Corporation	-	Non-current available-for-sale financial assets	90,212	2,119,991	1.6	2,119,991	
TCCI	Stock							
	TWM	TWM	Non-current available-for-sale financial assets	200,497	21,553,402	5.86	21,553,402	
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at cost	10,000	39,627	6.67	-	
TUI	Stock							
	TWM	TWM	Non-current available-for-sale financial assets	410,665	44,146,518	12	44,146,518	
TID	Stock							
	TWM	TWM	Non-current available-for-sale financial assets	87,590	9,415,877	2.56	9,415,877	
TFNM	Beneficiary Certificates							
	Dragon Tiger Capital Partners Limited - Class B	-	Non-current financial assets at cost	0.2	-	0.33	-	Note 2
	Dragon Tiger Capital Partners Limited - Class C	-	Non-current financial assets at cost	0.0335	-	0.056	-	Note 2
	Bonds							
	Media Asia Group Holdings Limited - Convertible Notes		Current financial assets at fair value through profit or loss	-	-	-	-	Note 3
		-	Current debt instrument investment without active market	-	465,654	-	-	

(Continued)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2017				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
momo	Beneficiary Certificates							
	Fubon Strategic High Income Fund B	Other related party	Current available-for-sale financial assets	18,302	$ 180,867	-	$ 180,867	
	Fuh Hwa Emerging Market High Yield Bond Fund B	-	Current available-for-sale financial assets	10,225	64,213	-	64,213	
	PineBridge Global Multi - Strategy High Yield Bond Fund-B	-	Current available-for-sale financial assets	23,351	167,475	-	167,475	
	Eastspring Investments Global High Yield Bond Fund B	-	Current available-for-sale financial assets	19,028	161,121	-	161,121	
	JPMorgan (Taiwan) Asia High Yield Total Return Bond Fund - Monthly Distribution Share Class	-	Current available-for-sale financial assets	18,916	173,630	-	173,630	
	Eastspring Investments India Umbrella Fund - Eastspring Investments India Bond Fund B	-	Current available-for-sale financial assets	10,000	98,500	-	98,500	
	Stock							
	Media Asia Group Holdings Limited	-	Current available-for-sale financial assets	43,668	28,269	2.04	28,269	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at cost	2,400	53,820	7.73	-	

Note 1: Percentage of ownership is the percentage of capital contribution.

Note 2: Impairment loss has been recognized, and the value has been reduced to zero.

Note 3: The conversion right is unexpired, but its fair value is measured as zero on December 31, 2017.

Note 4: For the information on investments in subsidiaries and associates, see Table 8 and Table 10 for details.

(Concluded)

TABLE 4

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Units/Shares (In Thousands)	Amount	Units/Shares (In Thousands)	Amount	Units/Shares (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Units/Shares (In Thousands)	Amount
TWM	Grand Academy Investment, L.P.	Non-current available-for-sale financial assets	-	-	-	$ -	-	$ 643,829	-	$ -	$ -	$ -	-	$ 614,513 (Note)

Note: The ending balance includes the relevant adjustment to financial assets.

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, 2017

(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	$ 1,725,409 (Note)	The Group has paid $1,535,117 thousand (including $862,422 thousand paid in current period). The remaining amounts will be settled monthly after the construction acceptance.	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: The transaction amount increased to $1,725,409 thousand by the additional amount $70,171 thousand in current period.

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, 2017

(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	$ 632,397	1	Based on contract terms	-	-	$ 12,004	-	Note 1
			Purchase	4,692,966	(Note 2)	Based on contract terms	-	-	(448,805)	(Note 3)	Note 1
	TT&T	Subsidiary	Purchase	1,114,477	(Note 2)	Based on contract terms	-	-	(100,988)	(Note 3)	
	TKT	Subsidiary	Purchase	320,283	(Note 2)	Based on contract terms	-	-	(87,394)	(Note 3)	Note 1
	TDS	Subsidiary	Purchase	163,987	(Note 2)	Based on contract terms	-	-	(16,703)	(Note 3)	
	TNH	Subsidiary	Purchase	121,595	(Note 2)	Based on contract terms	-	-	(3,189)	(Note 3)	
	Fubon Ins.	Other related party	Sale	367,368	1	Based on contract terms	-	-	70,084	1	
			Purchase	499,363	1	Based on contract terms	-	-	(92,808)	3	
TNH	TWM	Parent	Sale	123,140	21	Based on contract terms			653	10	
TFN	TWM	Ultimate parent	Sale	4,692,966	47	Based on contract terms	-	-	448,805	51	Note 1
			Purchase	632,397	(Note 2)	Based on contract terms	-	-	(12,004)	(Note 3)	Note 1
	TT&T	Fellow subsidiary	Purchase	115,476	(Note 2)	Based on contract terms	-	-	(10,364)	(Note 3)	
	TFNM	Fellow subsidiary	Sale	155,666	2	Based on contract terms	-	-	28,969	3	
	Fubon Life	Other related party	Sale	240,214	2	Based on contract terms	-	-	10,996	1	
TT&T	TWM	Ultimate parent	Sale	1,114,477	91	Based on contract terms	-	-	100,988	91	
	TFN	Fellow subsidiary	Sale	115,476	9	Based on contract terms	-	-	10,364	9	
TKT	TWM	Ultimate parent	Sale	320,283	89	Based on contract terms	-	-	87,394	100	Note 1
TDS	TWM	Ultimate parent	Sale	163,987	96	Based on contract terms	-	-	16,703	95	
TFNM	TFN	Fellow subsidiary	Purchase	160,029	(Note 2)	Based on contract terms	-	-	(28,969)	(Note 3)	
	YJCTV	Subsidiary	Channel leasing fee	430,639	13	Based on contract terms	Note 4	Note 4	-	-	
	PCTV	Subsidiary	Channel leasing fee	480,909	15	Based on contract terms	Note 4	Note 4	-	-	
	UCTV	Subsidiary	Channel leasing fee	223,622	7	Based on contract terms	Note 4	Note 4	-	-	
	GCTV	Subsidiary	Channel leasing fee	189,412	6	Based on contract terms	Note 4	Note 4	-	-	
YJCTV	TFNM	Parent	Royalty for copyright	430,639	56	Based on contract terms	Note 4	Note 4	-	-	
PCTV	TFNM	Parent	Royalty for copyright	480,909	55	Based on contract terms	Note 4	Note 4	-	-	
UCTV	TFNM	Parent	Royalty for copyright	223,622	41	Based on contract terms	Note 4	Note 4	-	-	
GCTV	TFNM	Parent	Royalty for copyright	189,412	49	Based on contract terms	Note 4	Note 4	-	-	

(Continued)

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	
MCTV	Dai-Ka Ltd.	Other related party	Royalty for copyright	$ 157,827	42	Based on contract terms	Note 4	Note 4	$ (39,457)	88	
momo	TPE	Associate	Purchase	401,635	1	Based on contract terms	-	-	(96,055)	(Note 3)	

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.

(Concluded)

TABLE 7

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, 2017

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
						Amount	Action Taken		
TCC	TWM	Parent	Other receivables	$ 351,582		$ -	-	$ 1,582	$ -
WMT	TWM	Parent	Other receivables	1,745,787		-	-	10,335	-
	TFNM	Subsidiary	Other receivables	1,942,599		-	-	-	-
	WTVB	Subsidiary	Other receivables	290,667		-	-	258	-
TFN	TWM	Ultimate parent	Accounts receivable	448,805	10.58	-	-	408,055	-
			Other receivables	5,826,987		-	-	48,782	-
TT&T	TWM	Ultimate parent	Accounts receivable	100,988	11.24	-	-	100,988	-
YJCTV	TFNM	Parent	Accounts receivable	4,399	10.1	-	-	-	-
			Other receivables	200,001		-	-	-	-
PCTV	TFNM	Parent	Accounts receivable	4,989	10.01	-	-	-	-
			Other receivables	520,038		-	-	-	-
GCTV	TFNM	Parent	Accounts receivable	2,158	10.44	-	-	-	-
			Other receivables	250,007		-	-	-	-
momo	TPE	Associate	Accounts receivable	280	19.19	-	-	60	-
			Other receivables	123,502		-	-	106,427	-

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, 2017

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2017	December 31, 2016	Shares (Thousands)	Percentage of Ownership (%)	Carrying Amount			
TWM	TCC	Taiwan	Investment	$ 40,397,288	$ 40,397,288	502,970	100	$ 18,649,968	$ 3,483,830	$ 2,840,885	Note 1
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	20,419,328	2,294,077	2,294,077	
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,721,873	130,304	65,022	
	ADT	Taiwan	Technology development of mobile payment and information processing services	60,000	60,000	6,000	14.4	14,451	(132,040)	(19,417)	
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	55,714,043	3,411,929	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	105,000	53,946	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	248,394	(8,986)	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	29,456,852	6,170	-	Note 2
	TDC	Taiwan	Mobile phone wholesaling and TV program production	112,000	112,000	11,200	100	115,566	(191)	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	25,000	2,500	100	102,720	8,327	-	Note 2
	TPIAC	Taiwan	Property insurance agent	5,000	-	500	100	4,942	(58)	-	Note 2
WMT	TFNM	Taiwan	Cable broadband and value added service provider	5,210,443	5,210,443	230,921	100	6,784,414	1,748,542	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	17,421	240	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	97,024	3,437	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	313,421	70,554	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,195,737	1,270,082	-	Notes 2 and 4
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	38,684,749	(83)	-	Note 2
	TFN HK Ltd.	Hong Kong	Telecommunications service provider	2,834	2,834	1,300	100	8,213	40	-	Note 2
TT&T	TT&T Holdings	Samoa	Investment	36,284	36,284	1,300	100	49,940	(3,829)	-	Note 2
TCCI	TID	Taiwan	Investment	3,602,782	3,602,782	104,712	100	8,256,496	(107)	-	Note 2
TFNM	TKT	Taiwan	Digital music service	129,900	129,900	12,000	100	204,077	(15,177)	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	2,076,468	(14,068)	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	644,029	71,761	-	Notes 2 and 5
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,440,114	179,855	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,039,719	49,469	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,264,936	52,716	-	Note 2
	Kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	178,825	(104,375)	-	Note 2
GFMT	UCTV	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	15,681	49,469	-	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	95,510	52,716	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2017	December 31, 2016	Shares (Thousands)	Percentage of Ownership (%)	Carrying Amount			
momo	Asian Crown (BVI)	British Virgin Islands	Investment	$ 789,864	$ 789,864	26,500	76.26	$ (20,163)	$ (22,543)	$ -	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	761,814	57,713	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	10,136	1,182	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	9,165	1,771	-	Note 2
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	47,362	10,077	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	401,192	118,411	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	110,800	142,916	24,150	35	117,462	35,387	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,035,051	1,035,051	33,633	100	(30,794)	(22,152)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	761,814	57,713	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,035,051	1,035,051	33,633	100	(30,794)	(22,152)	-	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, 2017.

Note 4: Non-controlling interests.

Note 5: 70.47% of stocks are held under trustee accounts.

Note 6: For information on investment in Mainland China, see Table 10 for details.

(Concluded)

TABLE 9

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

(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	$ 12,004	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TFN	1	Other receivables	31,585	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TFNM	1	Other receivables	15,619	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TNH	1	Other non-current assets	18,823	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TFN	1	Short-term borrowings	5,740,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	4%
		WMT	1	Short-term borrowings	1,740,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TCC	1	Short-term borrowings	350,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TFN	1	Accounts and notes payable	75,700	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TKT	1	Accounts and notes payable	87,387	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TFN	1	Other payables	426,366	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TT&T	1	Other payables	100,982	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TFN	1	Other current liabilities	33,726	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TKT	1	Disposal of property, plant and equipment	15,511	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TFN	1	Operating revenues	632,397	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		momo	1	Operating revenues	94,834	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TFN	1	Operating costs	4,684,079	The terms of transaction are determined in accordance with mutual agreements or general business practices	4%
		TKT	1	Operating costs	320,276	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TDS	1	Operating costs	163,987	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TNH	1	Operating costs	31,662	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	TFNM	1	Operating costs	$ 18,941	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TT&T	1	Operating expenses	1,114,432	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TNH	1	Operating expenses	89,933	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TFN	1	Operating expenses	47,132	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TFN	1	Net other income and expenses	30,200	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		momo	1	Other income	43,258	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TFN	1	Other income	35,773	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TFN	1	Finance costs	63,124	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		WMT	1	Finance costs	17,933	The terms of transaction are determined in accordance with mutual agreements or general business practices	
1	WMT	TFNM	1	Other receivables	1,942,599	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		WTVB	1	Other receivables	290,667	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TFNM	1	Other income	23,478	The terms of transaction are determined in accordance with mutual agreements or general business practices	
2	momo	FST	1	Other receivables	16,372	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TFN	3	Acquisition of property, plant and equipment	17,041	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		FGE	1	Acquisition of property, plant and equipment	11,918	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TFNM	3	Operating costs	77,167	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		MCTV	3	Operating costs	11,560	The terms of transaction are determined in accordance with mutual agreements or general business practices	
3	TFN	TFNM	3	Accounts and notes receivable, net	28,969	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		momo	3	Advanced receipts	15,846	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TT&T	3	Other payables	10,364	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		TFNM	3	Operating revenues	155,666	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		momo	3	Operating revenues	16,383	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	TT&T	3	Operating expenses	$ 115,476	The terms of transaction are determined in accordance with mutual agreements or general business practices	
4	TFNM	PCTV	1	Other receivables	37,959	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		YJCTV	1	Other receivables	35,252	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		UCTV	1	Other receivables	24,207	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		GCTV	1	Other receivables	16,103	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		MCTV	1	Other receivables	14,633	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	200,000	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	17,621	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		PCTV	1	Operating revenues	522,749	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		YJCTV	1	Operating revenues	468,216	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		UCTV	1	Operating revenues	223,622	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		GCTV	1	Operating revenues	206,178	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		MCTV	1	Operating revenues	18,619	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		WTVB	3	Operating costs	67,128	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		PCTV	1	Operating costs	35,207	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		YJCTV	1	Operating costs	31,022	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		UCTV	1	Operating costs	23,330	The terms of transaction are determined in accordance with mutual agreements or general business practices	
		GCTV	1	Operating costs	15,435	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)

TABLE 10

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017

(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, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Amount as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017	Note
					Outflow	Inflow							
Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis and development of CRM application and information consulting services	$ -	b	$ 38,701 (USD 1,300)	$ -	$ -	$ 38,701 (USD 1,300)	$ -	100	$ -	$ -	$ -	Note 2
TWMC	Mobile application development and design	89,310 (USD 3,000)	b	145,036 (USD 4,872)	-	-	145,036 (USD 4,872)	673	100	673	106,155	-	
FGE	Wholesaling	262,200 (RMB 57,500)	b	734,799 (USD 14,000) (RMB 69,741)	-	-	734,799 (USD 14,000) (RMB 69,741)	(24,121)	69.63	(16,795)	(23,677)	-	
Haobo	Investment	50,160 (RMB 11,000)	b	-	-	-		57,713	100	57,713	761,814	-	
GHS	Wholesaling	228,000 (RMB 50,000)	b	-	-	-		288,075	20	57,412	781,922	-	

Company	Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
TWM and subsidiaries	$1,560,332 (USD20,172, RMB69,741 and HKD168,539)	$1,560,332 (USD20,172, RMB69,741 and HKD168,539)	$39,306,961

Note 1: The investment types are as follows:

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

Note 2: Xiamen Taifu Teleservices & Technologies Co., Ltd. was dissolved in November 2013 and contributed capital to the parent company, TT&T Holdings.

Note 3: The amounts are based on audited financial statements.