

**Taiwan Mobile Co., Ltd. and Subsidiaries**

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

## INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

*Deloitte & Touche*

January 29, 2016

Notice to Readers

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

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

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

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

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

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

# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

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

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

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

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

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

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

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

# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

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

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# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

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

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

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

(Concluded)



# **TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

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

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### **1. ORGANIZATION AND OPERATIONS**

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

TWM’s received a second-generation (“2G”) mobile telecommunications concession operation license issued by the Directorate General of Telecommunications (“DGT”) of the ROC. The license allows TWM to provide services for 15 years from 1997 onwards. The license was renewed and its expiry date was extended to June 2017 by the National Communications Commission (“NCC”). In March 2005, TWM received a third-generation (“3G”) concession operation license issued by the DGT. The 3G license allows TWM to provide services from the issuance date of the license to December 2018. TWM acquired the Mobile Broadband Spectrum (“4G”) in October 2013. In April 2014, TWM acquired the concession license for the Mobile Broadband Spectrum in the 700 and 1800 MHz frequency band. The 4G license shall be valid from the issuance date of the license until December 2030.

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

### **2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS**

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

### **3. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

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

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

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

1) IAS 19 “Employee Benefits”

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

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

(Continued)

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

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

## 2) IAS 1 “Presentation of Financial Statements”

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

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

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

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

4) IFRS 13 “Fair Value Measurement”

IFRS 13 defines the meaning of fair value and sets the method of calculation and the presentation of measurement of fair value. As the adoption will be postponed until after 2015, the Group does not expect any significant impacts on the consolidated financial condition and performance.

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

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

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

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

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

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

1) IFRS 15 "Revenue from Contracts with Customers"

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

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

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

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

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

2) IFRS 16 "Leases"

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

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

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

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

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

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

##### **Basis of Preparation**

a. Basis of measurement

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

b. Functional and presentation currency

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

##### **Basis of Consolidation**

a. Principles of preparation of consolidated financial statements

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

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

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

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

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

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

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

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

(Continued)

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

(Concluded)

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

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

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

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

Note 5: TMB was sold in September 2014.

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

### Foreign Currency

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

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

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



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

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

### **Classification of Current and Non-current Assets and Liabilities**

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

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

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

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

### **Cash and Cash Equivalents**

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

### **Financial Instruments**

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

- a. Financial assets

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

#### 1) Financial assets at fair value through profit or loss

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

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

#### 2) Available-for-sale financial assets

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

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

#### 3) Loans and receivables

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

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

#### 4) Impairment of financial assets

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

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

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

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

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

For financial assets at amortized cost, an impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

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

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

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

#### 5) Derecognition of financial assets

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

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

### b. Financial liabilities

#### 1) Recognition

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

## 2) Derecognition of financial liabilities

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

### c. Derivative financial instruments

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

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

## **Inventories**

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

## **Non-current Assets Held for Sale and Discontinued Operations**

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

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

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

## **Investment in Associates**

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

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

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

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

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

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

### **Property, Plant and Equipment**

#### **a. Recognition and measurement**

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

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

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

#### **b. Reclassification to investment property**

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

#### **c. Subsequent cost**

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

#### **d. Depreciation**

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

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

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

Land has an unlimited useful life and therefore is not depreciated. For the estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment, see Note 15 to the consolidated financial statements for details.

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

### **Investment Property**

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

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

### **Leases**

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

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

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

### **Intangible Assets**

#### **a. Goodwill**

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

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

#### **b. Service concession agreement**

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

c. Other intangible assets

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

d. Amortization

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

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

### **Impairment of Non-financial Assets**

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

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

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

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

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

## **Provisions**

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

### **a. Restoration**

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

### **b. Decommissioning**

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

### **c. Warranties**

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

## **Treasury Shares**

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

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

## **Government Grants**

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

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

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



## **Employee Benefits**

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

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

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

## **Income Tax**

Income tax expense represents the sum of the tax currently payable and deferred tax. Except for expenses related to business combinations, expenses directly recognized in equity or other comprehensive income (loss), and other related expenses, all current and deferred taxes shall be recognized in profit or loss.

### **a. Current taxes**

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

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

### **b. Deferred taxes**

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

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

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

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

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

## **Revenue**

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

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

- b. Sales of goods

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

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

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

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

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

- e. Commissions

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

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

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

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

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

### **Business Combination**

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

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

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

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

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

- b. Impairment assessment of goodwill

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

c. Impairment assessment of investments accounted for using equity method

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

d. Income tax

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

e. Useful lives of property, plant and equipment

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

f. Impairment assessment of accounts receivable

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

## 6. CASH AND CASH EQUIVALENTS

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

## 7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

(Continued)

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

(Concluded)

## 8. FINANCIAL ASSETS AT COST

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

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

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

## 9. ACCOUNTS AND NOTES RECEIVABLE, NET

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

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

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

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

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

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

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

## 10. INVENTORIES

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

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

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

### a. Non-current assets held for sale

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

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

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

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

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

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

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

Aggregate information of associates that are not individually material:

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

### a. GHS

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

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

### b. TPE

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

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

### c. TVD Shopping

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

### d. ADT

In November 2013, TWM acquired 19.23% of ADT.



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

### 13. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

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

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

	December 31	
	2015	2014
Current assets	\$ 5,940,774	\$ 6,792,676
Non-current assets	11,140,732	10,716,690
Current liabilities	(3,683,020)	(3,385,989)
Non-current liabilities	<u>(267,878)</u>	<u>(253,661)</u>
Equity	<u>\$ 13,130,608</u>	<u>\$ 13,869,716</u>
Equity attributable to:		
Owners of parent	\$ 9,090,251	\$ 9,352,414
Non-controlling interests of momo	4,025,330	4,433,431
Non-controlling interests of momo's subsidiaries	<u>15,027</u>	<u>83,871</u>
	<u>\$ 13,130,608</u>	<u>\$ 13,869,716</u>

	For the Year Ended December 31	
	2015	2014
Operating revenues	<u>\$ 25,639,898</u>	<u>\$ 23,897,005</u>
Profit	\$ 992,290	\$ 1,131,959
Other comprehensive income (loss)	<u>(154,807)</u>	<u>21,447</u>
Comprehensive income	<u>\$ 837,483</u>	<u>\$ 1,153,406</u>
Profit attributable to:		
Owners of parent	\$ 471,100	\$ 578,303
Non-controlling interests of momo	588,882	590,833
Non-controlling interests of momo's subsidiaries	<u>(67,692)</u>	<u>(37,177)</u>
	<u>\$ 992,290</u>	<u>\$ 1,131,959</u>

(Continued)

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

#### 14. SUBSIDIARIES AND NON-CONTROLLING INTERESTS

##### a. Acquisition of subsidiaries

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

##### 1) Assets acquired and liabilities assumed

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

The Group's percentage of ownership interests in TNH was 49.9% before obtaining control of TNH, at which time the book value and fair value were equivalent. Therefore, the gain and loss arising from re-measurements were insignificant.

2) Operating influences of combination

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

b. Disposal of subsidiaries

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

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

c. Transactions with non-controlling interests

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

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

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

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

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

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

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

## 15. PROPERTY, PLANT AND EQUIPMENT

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

(Continued)

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

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

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

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

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

## 16. INVESTMENT PROPERTIES

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

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

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

## 17. INTANGIBLE ASSETS

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

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

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

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

### a. Service concession

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

b. Customer relationship, trademarks, and operating rights

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

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

c. Goodwill

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

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

d. Impairment of assets

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

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

1) Mobile communication service

a) Assumptions on cash flows

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

b) Assumptions on operating revenues

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

c) Assumptions on operating costs and expenses

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

d) Assumptions on discount rate

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

2) Fixed network service

a) Assumptions on cash flows

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

b) Assumptions on operating revenues

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

c) Assumptions on operating costs and expenses

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

d) Assumptions on discount rate

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

3) Cable television business

a) Assumptions on cash flows

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

b) Assumptions on operating revenues

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



c) Assumptions on operating costs and expenses

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

d) Assumptions on discount rate

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

4) Retail business

a) Assumptions on cash flows

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

b) Assumptions on operating revenues

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

c) Assumptions on operating costs and expenses

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

d) Assumptions on discount rate

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

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

## 18. OTHER NON-CURRENT ASSETS

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

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

### a. Short-term borrowings

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

### b. Short-term notes and bills payable

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

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

## 20. ADVANCE RECEIPTS

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

## 21. BONDS PAYABLE

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

### a. 3rd domestic unsecured bonds

On December 20, 2012, TWM authorized Hua Nan Commercial Bank as a trustee to issue \$9,000,000 thousand of seven-year 3rd domestic unsecured bonds, each having a face value of \$10,000 thousand and a coupon rate of 1.34% per annum, with simple interest due annually. Repayment will be made in the sixth and seventh years with equal installments, i.e., \$4,500,000 thousand. As of December 31, 2015, the amount of unamortized bond issue cost was \$2,553 thousand.

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

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

b. 4th domestic unsecured bonds

On April 25, 2013, TWM authorized Hua Nan Commercial Bank as a trustee to issue \$5,800,000 thousand of five-year 4th domestic unsecured bonds, each having a face value of \$10,000 thousand and a coupon rate of 1.29% per annum, with simple interest due annually. Repayment will be made in the fourth and fifth years with equal installments, i.e., \$2,900,000 thousand. As of December 31, 2015, the amount of unamortized bond issue cost was \$1,509 thousand.

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

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

## 22. LONG-TERM BORROWINGS

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

a. Unsecured loans

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

b. Secured loans

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

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

### 23. PROVISIONS

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

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

### 24. OTHER NON-CURRENT LIABILITIES

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

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

## 25. OPERATING LEASE

### a. Lessee

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

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

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

The payments of leases and subleases were as follows:

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

### b. Lessor

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

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

## 26. RETIREMENT BENEFIT PLANS

### a. Defined benefit plan

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

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

The defined benefit plans were as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b. Defined contribution plans

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

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

## 27. INCOME TAX FROM CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

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



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

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

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

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

c. Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

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

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

	<b>Accounts Receivable</b>	<b>Intangible Assets</b>	<b>Others</b>	<b>Total</b>
<u>Deferred tax liabilities</u>				
Balance, January 1, 2015	\$ 2,037,386	\$ 617,409	\$ 33,773	\$ 2,688,568
Recognized in profit or loss	(678,524)	(17,076)	22,100	(673,500)
Recognized in other comprehensive income (loss)	-	-	(758)	(758)
Balance, December 31, 2015	<u>\$ 1,358,862</u>	<u>\$ 600,333</u>	<u>\$ 55,115</u>	<u>\$ 2,014,310</u>
Balance, January 1, 2014	\$ 1,855,071	\$ 719,585	\$ 25,135	\$ 2,599,791
Recognized in profit or loss	182,315	(102,176)	8,933	89,072
Recognized in other comprehensive income (loss)	-	-	(295)	(295)
Balance, December 31, 2014	<u>\$ 2,037,386</u>	<u>\$ 617,409</u>	<u>\$ 33,773</u>	<u>\$ 2,688,568</u>

2) Unrecognized deferred tax assets items

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
Loss carry-forwards	\$ 1,401,958	\$ 1,351,696
Impairment loss on financial assets	-	1,208,366
	<u>\$ 1,401,958</u>	<u>\$ 2,560,062</u>

As of December 31, 2015, the Group had not recognized the prior years' loss carry-forwards as deferred tax assets. The expiry years are as follows:

<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
\$ 118,483	2016
273,772	2017
244,187	2018
251,244	2019
267,345	2020
49,677	2021
50,934	2022
118,808	2023
<u>27,508</u>	2025
<u>\$ 1,401,958</u>	

d. Integrated income tax information was as follows:

	<u>December 31</u>	
	<b>2015</b>	<b>2014</b>
Balance of TWN's imputation credit account (ICA)	<u>\$ 1,148,061</u>	<u>\$ 1,234,356</u>

As of December 31, 2015, there were no unappropriated earnings generated before 1997.

The estimated tax creditable ratio for 2015 and actual tax creditable ratio for 2014 were 19.80% and 16.08%, respectively, based on Decree No. 10204562810 announced on October 17, 2013, by the ROC Ministry of Finance; Under the Integrated Income Tax System, ROC resident shareholders are allowed a tax credit for the income tax paid by TWM. An ICA is maintained by TWM for such income tax, and a tax credit is allocated to each shareholder when earning distribution occurs. Actual allocation of the ICA is based on the balance on the record date for dividend distribution. Therefore, the estimated tax creditable ratio may differ from the actual tax creditable ratio for the 2015 earnings appropriation. Effective from January 1, 2015, the tax creditable ratio for individual shareholders residing in ROC will be half of the original tax creditable ratio.

e. Income tax examinations

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

<u>Company</u>	<u>Year</u>
TWM	2013
TCC	2013
WMT	2013
GWMT	2013
GFMT	2013
TDC	2013
TDS	2013
TCCI	2013
TID	2013
TFN	2013
TT&T	2013
TUI	2013
WTVB	2013
TFNM	2012
UCTV	2013
YJCTV	2013
MCTV	2013
PCTV	2013
GCTV	2013
TKT	2013
momo	2013
FST	2013
FLI	2013
FPI	2013
TNH	2013

TWM's income tax returns up to 2013 have been assessed by the tax authorities. TWM disagreed with assessment of the income tax return for 2013 and has applied for correction, which is still in process of the tax authorities' reviews.

TFN's income tax returns up to 2013 have been assessed by the tax authorities. TFN disagreed with the assessments of the income tax returns for 2010 and is planning to appeal to ROC Ministry of Finance.

## 28. EQUITY

### a. Common stock

As of December 31, 2015 and 2014, TWM had authorized 6,000,000 thousand common shares, with 3,420,833 thousand shares issued and outstanding at par value \$10 per share.

### b. Capital surplus

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Additional paid-in capital from convertible corporate bonds	\$ 8,775,820	\$ 8,775,820
Treasury share transactions	5,159,704	5,159,704
Difference between consideration and carrying amount arising from the disposal of subsidiaries' shares	85,965	85,965
Changes in equity of subsidiaries	511,562	652,219
Changes in equity of associates accounted for using equity method	37,907	26,705
Others	<u>15,418</u>	<u>15,417</u>
	<u>\$ 14,586,376</u>	<u>\$ 14,715,830</u>

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

### c. Appropriation of earnings and dividend policy

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

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

TWM adopts a dividend distribution policy whereby only surplus profits of TWM shall be distributed to shareholders. That is, after setting aside amounts for retained earnings based on TWM's capital budget plan, the residual profits shall be distributed as cash dividends. Stock dividends in a particular year shall be capped at no more than 80% of total dividends to be distributed for that year. The amount of the distributable dividends, the forms in which dividends shall be distributed, and the ratio thereof shall depend on the actual profit and cash positions of TWM and shall be approved by resolutions of the Board, who shall, upon such approval, recommend the same to the shareholders for approval by resolution at the shareholders' meetings. The appropriation of earnings should be resolved by the shareholders' meeting and recognized in the financial statements in the following year.

According to the ROC Company Act, a company shall first set aside 10% of its income after taxes as legal reserve until it equals the paid-in capital. After offsetting any deficit, the legal reserve may be transferred to capital and distributed as stock dividends or distributed as cash dividends for the amount in excess of 25% of the paid-in capital pursuant to a resolution adopted by the shareholders' meeting.

TWM distributes and reverses special reserve in accordance with Decree No. 1010012865, Decree No. 1010047490, and "The Q&A for special reserve recognition after adopting IFRS" issued by the FSC.

In accordance with the ROC Company Act amended in May 2015, the recipients of dividends and bonuses arising from earning distributions are limited to shareholders and do not include employees. The Board of Directors proposed amendments to TWM's Articles of Incorporation on October 29, 2015, which will be approved at the annual shareholders' meeting. For information about the accrual basis of the employee remuneration or employee bonuses and remuneration to directors and the actual appropriations, see Note 39 to the consolidated financial statements for details.

The 2014 and 2013 earnings appropriations approved by the annual general shareholders' meeting ("AGM") on June 10, 2015 and June 12, 2014, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Fiscal Year 2014</b>	<b>For Fiscal Year 2013</b>	<b>For Fiscal Year 2014</b>	<b>For Fiscal Year 2013</b>
Appropriation of legal reserve	\$ 1,500,543	\$ 2,275,622		
Appropriation of special reserve	302,986	-		
Cash dividends to shareholders	<u>15,243,655</u>	<u>15,064,599</u>	\$ 5.6	\$ 5.6
	<u>\$ 17,047,184</u>	<u>\$ 17,340,221</u>		

TWM's 2015 earnings appropriations will be proposed by Board of Directors and approved at the AGM. Information on earnings appropriations is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity interests

	<b>Exchange Differences on Translation</b>	<b>Unrealized Gain (Loss) on Available-for- sale Financial Assets</b>	<b>Total</b>
Balance, January 1, 2015	\$ 31,294	\$ (334,280)	\$ (302,986)
Exchange differences on translation	(5,571)	-	(5,571)
Changes in fair value of available-for-sale financial assets	-	(850,971)	(850,971)
Changes in other comprehensive income (loss) of associates accounted for using equity method	<u>(3,337)</u>	<u>(11,089)</u>	<u>(14,426)</u>
Balance, December 31, 2015	<u>\$ 22,386</u>	<u>\$ (1,196,340)</u>	<u>\$ (1,173,954)</u>

(Continued)

	<b>Exchange Differences on Translation</b>	<b>Unrealized Gain (Loss) on Available-for- sale Financial Assets</b>	<b>Total</b>
Balance, January 1, 2014	\$ 24,948	\$ 387,734	\$ 412,682
Exchange differences on translation	6,487	-	6,487
Changes in fair value of available-for-sale financial assets	-	(741,210)	(741,210)
Changes in other comprehensive income (loss) of associates accounted for using equity method	<u>(141)</u>	<u>19,196</u>	<u>19,055</u>
Balance, December 31, 2014	<u>\$ 31,294</u>	<u>\$ (334,280)</u>	<u>\$ (302,986)</u> (Concluded)

e. Treasury shares

As of December 31, 2015 and 2014, TWM's stocks held for the investment purposes by TCCI, TUI and TID, which are all wholly-owned by TWM, were both 698,752 thousand shares, and the market values were \$69,875,160 thousand, \$73,019,542 thousand, respectively. Since TWM's shares held by its subsidiaries are regarded as treasury shares, TWM recognized both \$29,717,344 thousand, as treasury shares. For those treasury shares holders, they have the same rights as the other shareholders, except that they are not allowed to subscribe new shares issued by TWM for cash. In addition, based on the ROC Company Act, subsidiaries with over 50% shareholding owned by TWM cannot exercise the voting rights over such treasury shares.

TID disposed of 31,974 thousand shares of TWM for \$2,970,389 thousand in October 2014. TWM recognized "capital surplus - treasury share transactions" at the amount of \$1,520,403 thousand.

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Retrospective application beginning balance	\$ 6,252,897	\$ 1,086,747
Portion attributable to non-controlling interests		
Profit	481,843	547,677
Unrealized losses on available-for-sale financial assets	(56,359)	(22,378)
Exchange differences on translation	(6,683)	7,739
Re-measurements from defined benefit plans	(473)	(782)
Share of other comprehensive income (loss) of associates accounted for using equity method	(22,787)	28,065
Changes in capital surplus of associates accounted for using equity method	14,038	(258)
Disposal of partial ownership interests in subsidiaries	-	229,995
Adjustments arising from changes in percentage of ownership of subsidiaries	(255,874)	2,864,113
Cash dividends from subsidiaries paid to non-controlling interests	(670,583)	(224,481)
Increase in non-controlling interests	<u>-</u>	<u>1,736,460</u>
Ending balance	<u>\$ 5,736,019</u>	<u>\$ 6,252,897</u>

## 29. EARNINGS PER SHARE

	<b>For the Year Ended December 31, 2015</b>		
	<b>Amount After Income Tax</b>	<b>Weighted- average Number of Common Stock</b>	<b>EPS</b>
<b>Basic EPS</b>			
Profit attributable to owners of parent	\$ 15,686,186	2,722,081	<u>\$ 5.76</u>
<b>Diluted EPS</b>			
Profit attributable to owners of parent	\$ 15,686,186	2,722,081	
Effect of potential dilutive common stock	<u>-</u>	<u>6,419</u>	
Profit attributable to owners of parent (adjusted for potential effect of dilutive common stock)	<u>\$ 15,686,186</u>	<u>2,728,500</u>	<u>\$ 5.75</u>
	<b>For the Year Ended December 31, 2014</b>		
	<b>Retrospective Application Amount After Income Tax</b>	<b>Weighted- average Number of Common Stock</b>	<b>EPS</b>
<b>Basic EPS</b>			
Profit from continuing operations attributable to owners of parent	\$ 15,045,446	2,697,728	\$ 5.57
Loss from discontinued operations attributable to owners of parent	<u>(39,109)</u>	2,697,728	<u>(0.01)</u>
Profit attributable to owners of parent	<u>\$ 15,006,337</u>	2,697,728	<u>\$ 5.56</u>
<b>Diluted EPS</b>			
Profit from continuing operations attributable to owners of parent	\$ 15,045,446	2,697,728	
Effect of potential dilutive common stock	<u>-</u>	<u>5,792</u>	
Profit from continuing operations attributable to owners of parent	15,045,446	2,703,520	\$ 5.56
Loss from discontinued operations attributable to owners of parent	<u>(39,109)</u>	2,703,520	<u>(0.01)</u>
Profit attributable to owners of parent (adjusted for potential effect of dilutive common stock)	<u>\$ 15,006,337</u>	2,703,520	<u>\$ 5.55</u>

Since TWM may settle the employee remuneration or bonus to employees by cash or shares, TWM should presume that the entire amount of the bonus will be settled in shares, and the potential share dilution should be included in the weighted-average number of shares outstanding used in the calculation of diluted EPS if the shares have a dilutive effect. In the calculation of diluted EPS, the number of outstanding shares is derived by dividing the entire amount of the bonus by the closing price of the shares at the end of the reporting period. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until employee remuneration or bonus to employees is approved in the following year.

### 30. OPERATING REVENUES FROM CONTINUING OPERATIONS

	<u>For the Year Ended December 31</u>	
	2015	2014
Telecommunication service	\$ 57,842,781	\$ 58,374,045
Sales revenue	47,887,797	44,752,181
Cable TV and broadband	6,344,628	6,199,530
Other operating revenues	<u>4,068,999</u>	<u>3,298,123</u>
	<u>\$ 116,144,205</u>	<u>\$ 112,623,879</u>

### 31. OTHER INCOME AND EXPENSES FROM CONTINUING OPERATIONS

a. Other income

	<u>For the Year Ended December 31</u>	
	2015	2014
Interest income	\$ 154,760	\$ 94,953
Dividend income	21,213	22,803
Other income	<u>272,816</u>	<u>423,274</u>
	<u>\$ 448,789</u>	<u>\$ 541,030</u>

b. Other gains and losses, net

	<u>For the Year Ended December 31</u>	
	2015	2014
Loss on disposal of property, plant and equipment, net	\$ (332,085)	\$ (967,546)
Gain on disposal of intangible assets	47	-
Gain on disposal of non-current assets held for sale, net	-	158,568
Valuation loss on financial assets at fair value through profit or loss	(68,618)	-
Gain (loss) on disposal of investments, net	12,437	(168)
Others	<u>(414)</u>	<u>28,951</u>
	<u>\$ (388,633)</u>	<u>\$ (780,195)</u>

c. Finance costs

	<u>For the Year Ended December 31</u>	
	2015	2014
Interest expense		
Bank loans	\$ 404,867	\$ 389,366
Corporate bonds	196,916	197,066
Others	<u>135,427</u>	<u>28,547</u>
	737,210	614,979
Less: Capitalized interest	<u>(6,293)</u>	<u>(13,145)</u>
	<u>\$ 730,917</u>	<u>\$ 601,834</u>
Capitalization rates	1.33%	1.20%-1.36%



### 32. CAPITAL MANAGEMENT

The Group maintains and manages its capital to meet the minimum paid-in capital required by the competent authority, and to optimize the balance of liabilities and equity in order to maximize shareholders' return. By periodically reviewing and measuring relative cost, risk, and rate of return to ensure profit and to maintain adequate financial ratios, the Group may adopt various financing approaches to balance its capital structure in order to meet the demands for capital expenditures, working capital, settlements of liabilities, and dividend payments in normal course of business for the future.

### 33. FINANCIAL INSTRUMENTS

#### a. Categories of financial instruments

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Financial assets</u>		
Available-for-sale financial assets (including current and non-current portions)	\$ 3,692,610	\$ 5,693,910
Financial assets at fair value through profit or loss	<u>158,322</u>	<u>-</u>
Financial assets carried at cost	<u>192,700</u>	<u>192,652</u>
Held-to-maturity financial assets	<u>-</u>	<u>6</u>
Loans and receivables:		
Cash and cash equivalents	8,579,422	7,903,777
Receivables (including current and non-current portions)	21,792,955	20,743,165
Debt instrument investments without active market	359,062	500,000
Other financial assets (including current and non-current portions)	3,112,465	3,239,400
Refundable deposits	<u>581,237</u>	<u>579,457</u>
Subtotal	<u>34,425,141</u>	<u>32,965,799</u>
Total	<u>\$ 38,468,773</u>	<u>\$ 38,852,367</u>
<u>Financial liabilities</u>		
Short-term borrowings	\$ 14,220,938	\$ 18,900,000
Short-term notes and bills payable	10,793,487	5,593,031
Payables (including current and non-current portions)	18,541,226	21,086,502
Bonds payable	14,795,938	14,794,293
Long-term borrowings (including current portion)	21,950,363	15,390,544
Guarantee deposits	<u>797,787</u>	<u>820,504</u>
Total	<u>\$ 81,099,739</u>	<u>\$ 76,584,874</u>

b. Fair value of financial instruments

1) Financial instruments not at fair value

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

	<b>December 31</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial liabilities</u>				
Bonds payable	\$ 14,795,938	\$ 14,965,461	\$ 14,794,293	\$ 14,774,375

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

2) Fair value measurements recognized in the consolidated balance sheets

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

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

Financial instruments at fair value

December 31, 2015

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Available-for-sale financial assets</u>				
Domestic listed stock	\$ 215,395	\$ -	\$ -	\$ 215,395
Domestic emerging stock	937,307	-	-	937,307
Domestic unlisted stocks	-	1,727,171	-	1,727,171
Beneficiary certificates	734,991	-	-	734,991
Foreign unlisted stocks	-	77,746	-	77,746
	<u>\$ 1,887,693</u>	<u>\$ 1,804,917</u>	<u>\$ -</u>	<u>\$ 3,692,610</u>
Financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,322</u>	<u>\$ 158,322</u>

December 31, 2014

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Available-for-sale financial assets</u>				
Domestic listed stock	\$ 204,310	\$ -	\$ -	\$ 204,310
Domestic emerging stock	893,103	-	-	893,103
Domestic unlisted stocks	-	2,587,050	-	2,587,050
Beneficiary certificates	<u>2,009,447</u>	<u>-</u>	<u>-</u>	<u>2,009,447</u>
	<u>\$ 3,106,860</u>	<u>\$ 2,587,050</u>	<u>\$ -</u>	<u>\$ 5,693,910</u>

There was no transfer between the fair value measurements of Levels 1 and 2 for the years ended December 31, 2015 and 2014.

Valuation techniques and assumptions used in fair value determination

- a) The fair value of financial instruments traded in active markets is based on quoted market prices (including stocks and bonds of companies that went public).
  - b) Valuation techniques and inputs applied for Level 2 fair value measurement: The Group uses market comparison approach to evaluate fair values of domestic unlisted stocks based on observable prices of the similar financial instruments at the end of the period and their market liquidity, and to evaluate fair values of foreign unlisted stocks based on price fluctuation, risk-free rate, risk discount rate and liquidity risk.
  - c) Valuation techniques and inputs applied for Level 3 fair value measurement: The embedded derivatives instruments of convertible notes are evaluated by using binary tree evaluation models to evaluate fair value, considering significant unobservable inputs are historical volatility of stock prices and liquidity discount rate. On December 31, 2015, the historical volatility of stock prices was estimated at 55.02% and the liquidity discount rate was estimated at 31.15%. Assuming all other variables are constant, an increase (or decrease) in the historical volatility of stock prices used in isolation would result in an increase (or decrease) in the liquidity discount rate. There is a positive correlation between historical volatility of stock prices and fair value and a negative correlation between liquidity discount rate and fair value. As a result, the fair value is affected by historical volatility of stock prices and liquidity discount rate.
- 3) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2015

<b>Financial Assets at Fair Value Through Profit or Loss</b>	<b>Derivative Instruments</b>
Balance, January 1, 2015	\$ -
Purchases	246,292
Conversion	(33,561)
Recognized in profit or loss	
Valuation loss on financial assets at fair value through profit or loss	(70,185)
Unrealized gain on foreign currency exchange	<u>15,776</u>
Balance, December 31, 2015	<u>\$ 158,322</u>

c. Financial risk management

1) The Group is exposed to the following risks due to usage of financial instruments:

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

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

2) Risk management framework

a) Decision-making mechanism

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

b) Risk management policies

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

c) Monitoring mechanism

The Internal Audit Office regularly monitors and assesses the potential risks that the Group may face and use this information as a reference for drafting its annual audit plan. The Internal Audit Office should report any discrepancy to the concerned unit chief and ensure that remediation efforts are completed.

3) Credit risk

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

4) Liquidity risk

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

The Group ensures sufficient cash for the requirements of paying estimated operating expenditures, including financial obligations. The Group also monitors its bank credit facilities to ensure that the provisions of loan contracts are all complied with properly. As of December 31, 2015 and 2014, the Group had unused bank facilities of \$44,877,067 thousand and \$51,516,644 thousand, respectively.

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

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

	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>Within 1 Year</b>	<b>1-5 Years</b>	<b>More Than 5 Years</b>
<u>December 31, 2015</u>					
Unsecured loans	\$ 32,990,938	\$ 33,336,485	\$ 24,465,439	\$ 8,838,846	\$ 32,200
Secured loans	3,180,363	3,475,786	281,980	3,193,806	-
Short-term notes and bills payable	10,793,487	10,800,000	10,800,000	-	-
Bonds payable	<u>14,795,938</u>	<u>15,409,150</u>	<u>195,420</u>	<u>15,213,730</u>	<u>-</u>
	<u>\$ 61,760,726</u>	<u>\$ 63,021,421</u>	<u>\$ 35,742,839</u>	<u>\$ 27,246,382</u>	<u>\$ 32,200</u>
<u>December 31, 2014</u>					
Unsecured loans	\$ 30,900,000	\$ 31,109,636	\$ 21,063,203	\$ 10,046,433	\$ -
Secured loans	3,390,544	3,395,000	210,000	3,185,000	-
Short-term notes and bills payable	5,593,031	5,600,000	5,600,000	-	-
Bonds payable	<u>14,794,293</u>	<u>15,604,570</u>	<u>195,420</u>	<u>15,409,150</u>	<u>-</u>
	<u>\$ 54,677,868</u>	<u>\$ 55,709,206</u>	<u>\$ 27,068,623</u>	<u>\$ 28,640,583</u>	<u>\$ -</u>

## 5) Market risk

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

The Group engages in financial instrument transactions without involving any significant risk such as exchange rate risk, interest rate risk, and market price risk; therefore, the Group's market risk is insignificant.

### a) Exchange rate risk

The Group mainly operates in Taiwan, except for international roaming services. Most of the operating revenues and expenses are measured in NTD. A small portion of the expenses is paid in EUR and USD; thus, the Group purchases currency at the spot rate based on the conservative principle in order to hedge exchange rate risk. Overall, exchange rate risk does not affect the Group significantly.

The Group's financial assets and liabilities exposed to significant exchange rate risk were as follows:

<b>December 31, 2015</b>			
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
RMB	\$ 3,904	4.975	\$ 19,422
USD	53,819	32.86	1,768,481
JPY	606	0.2729	165
HKD	84,947	4.239	360,089
EUR	928	35.94	33,342
Non-monetary items			
RMB	143,455	4.975	713,691
HKD	55,690	4.239	236,068
THB	176,166	0.9167	161,491
<u>Financial liabilities</u>			
Monetary items			
USD	11,791	32.86	387,456
JPY	7,857	0.2729	2,144
HKD	148	4.239	629
EUR	6	35.94	214
<b>December 31, 2014</b>			
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
RMB	\$ 320	5.095	\$ 1,631
USD	60,483	31.71	1,916,691
JPY	652	0.2647	173
HKD	326	4.087	1,332
EUR	416	38.57	16,062
Non-monetary items			
RMB	38,031	5.095	193,869
THB	155,756	0.9682	150,803
<u>Financial liabilities</u>			
Monetary items			
USD	18,767	31.71	595,107
JPY	4,683	0.2647	1,240
HKD	144	4.087	589
EUR	14	38.57	548

The Group's foreign exchange gains and losses, including realized and unrealized, for the years ended December 31, 2015 and 2014, were net exchange gain of \$65,862 thousand and \$39,657 thousand, respectively. Due to the variety of functional currencies, the Group could not disclose the foreign exchange gains (losses) for each foreign currency with significant influence.

### Sensitivity analysis

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts denominated in foreign currencies such as cash and cash equivalents, accounts receivable, other receivables, debt instrument investments without active market, other financial assets, refundable deposits, accounts payable, other payables, and guarantee deposits, etc. If the NTD, when compared with the RMB, USD, JPY, HKD and EUR, had depreciated 5% (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have increased by \$89,551 thousand and \$66,920 thousand for the years ended December 31, 2015 and 2014, respectively.

#### b) Interest rate risk

The Group issued unsecured corporate bonds and signed facility agreements with banks for locking in medium- and long-term fixed interest rates. In respect of interest payables, the fluctuation of interest rates does not affect the Group significantly. Also, interest rate risk does not have significant impact on the Group's short-term bank loans.

The carrying amounts of the Group's financial assets and financial liabilities exposed to interest rate risk were as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Fair value interest rate risk		
Financial assets	\$ 8,821,624	\$ 8,530,060
Financial liabilities	55,289,425	51,287,324
Cash flow interest rate risk		
Financial assets	3,135,602	2,472,715
Financial liabilities	6,471,301	3,390,544

### Sensitivity analysis

The following sensitivity analysis is based on the exposure to interest rate risk of derivative and non-derivative instruments at the end of the reporting period. For floating-rate assets and liabilities, the analysis assumes that the balances of outstanding assets and liabilities at the end of the reporting period have been outstanding for the whole period and that the changes in interest rates are reasonable. If the interest rate had increased by 0.5% (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), the Group's profit would have decreased by \$16,678 thousand and \$4,589 thousand for the years ended December 31, 2015 and 2014, respectively.

#### c) Other market price risk

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

### Sensitivity analysis

If the price of equity tools had increased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), for the years ended December 31, 2015 and 2014, other comprehensive income (loss) would have increased by \$184,630 thousand and \$284,696 thousand, respectively.

### 34. RELATED-PARTY TRANSACTIONS

a. Parent company and ultimate controlling party

TWM is the ultimate controlling party of the Group.

b. Significant transactions with related parties

1) Operating revenue

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Associates	\$ 51,945	\$ 17,858
Other related parties	<u>225,190</u>	<u>196,619</u>
	<u>\$ 277,135</u>	<u>\$ 214,477</u>

The Group renders telecommunication and sales services, etc., to other related parties. The transaction terms with related parties were not significantly different from those with third parties.

2) Purchases

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Associates	\$ 442,121	\$ 453,848
Other related parties	295,710	253,506
Less: Purchases from discontinued operations	<u>-</u>	<u>(6,370)</u>
	<u>\$ 737,831</u>	<u>\$ 700,984</u>

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

3) Receivables from related parties

<b>Account</b>	<b>Related Party Categories</b>	<b>December 31</b>	
		<b>2015</b>	<b>2014</b>
Accounts receivables	Associates	\$ 18,786	\$ 2,792
Accounts receivables	Other related parties	<u>43,317</u>	<u>31,769</u>
		<u>\$ 62,103</u>	<u>\$ 34,561</u>
Other receivables	Associates	\$ 88,661	\$ 109,211
Other receivables	Other related parties	<u>40,557</u>	<u>60,568</u>
		<u>\$ 129,218</u>	<u>\$ 169,779</u>

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



4) Payables to related parties

<b>Account</b>	<b>Related Party Categories</b>	<b>December 31</b>	
		<b>2015</b>	<b>2014</b>
Accounts payable	Associates	\$ 38,485	\$ 45,329
Accounts payable	Other related parties	<u>53,001</u>	<u>34,063</u>
		<u>\$ 91,486</u>	<u>\$ 79,392</u>
Other payable	Other related parties	<u>\$ 75,394</u>	<u>\$ 57,195</u>

5) Prepayments

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Other related parties	<u>\$ 26,445</u>	<u>\$ 15,986</u>

6) Long-term and short-term borrowings from related parties

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Other related parties	<u>\$ -</u>	<u>\$ 727,500</u>

The rate on borrowings from related parties was equivalent to the rate in the market. Additionally, the Group had drawn \$32,500 thousand of performance guarantee from related parties.

7) Bank deposits, time deposits and other financial assets

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Other related parties	<u>\$ 2,004,158</u>	<u>\$ 3,197,591</u>

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

The Group paid \$393,724 thousand to acquire beneficiary certificates from other related parties in 2014.

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

The Group sold the beneficiary certificates, which had been purchased from the same entity, to the related parties in 2015. The disposal amounts were \$390,349 thousand, which resulted in disposal losses of \$3,375 thousand for the year ended December 31, 2015.

10) Acquisition of investments

In April 2014, the Group acquired 35% of TVD Shopping, and the investment amount was \$148,118 thousand.

11) Disposal of subsidiaries

In September 2014, the Group sold all of its ownership in TMB to Fubon Financial Holding Venture Co., Ltd. The proceeds from the disposal were \$21,360 thousand, and the Group recognized a loss on disposal of investments of \$168 thousand.

12) Others

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Guarantee deposits		
Other related parties	<u>\$ 48,271</u>	<u>\$ 32,489</u>
	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Operating expenses		
Other related parties	\$ 505,284	\$ 489,929
Less: Operating expenses from discontinued operations	<u>                    -</u>	<u>          (1,871)</u>
	<u>\$ 505,284</u>	<u>\$ 488,058</u>

Operating expenses include rental expenses. Leases were conducted at general market prices, and the rental was paid monthly.

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Non-operating income		
Associates	\$ 898	\$ 12,337
Other related parties	<u>29,881</u>	<u>19,986</u>
	<u>\$ 30,779</u>	<u>\$ 32,323</u>
Non-operating expense		
Other related parties	<u>\$ 13,586</u>	<u>\$ 24,167</u>

c. Key management compensation

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Short-term employee benefits	\$ 302,304	\$ 283,024
Post-employment benefits	2,897	2,854
Termination benefits	<u>2,189</u>	<u>27,560</u>
	<u>\$ 307,390</u>	<u>\$ 313,438</u>

### 35. ASSETS PLEDGED

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

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Other current financial assets	\$ 1,079,811	\$ 124,806
Services concession	7,685,516	7,597,295
Other non-current financial assets	<u>109,366</u>	<u>107,380</u>
	<u>\$ 8,874,693</u>	<u>\$ 7,829,481</u>

### 36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Purchases of property, plant and equipment, etc.	<u>\$ 4,905,394</u>	<u>\$ 8,857,528</u>
Purchases of cellular phones	<u>\$ 4,111,662</u>	<u>\$ 7,057,442</u>

b. As of December 31, 2015 and 2014, the amounts of endorsements and guarantees (provided to each entity in the Group) were \$21,699,250 thousand and \$22,057,360 thousand, respectively.

c. In accordance with the NCC's policy, TWM entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid cards and electronic gift certificates, totaling amounting to \$824,650 thousand and \$14,059 thousand, respectively, as of December 31, 2015.

In accordance with the NCC's policy, TFN entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from International Direct Dialing ("IDD") calling cards totaling \$38 thousand as of December 31, 2015.

In accordance with the NCC's policy, cable television companies should provide a performance deposit based on a certain proportion of the advance receipts for a prepaid period. As of December 31, 2015, the cable television companies had provided \$56,409 thousand as a performance deposit, classified as other non-current financial assets.

In accordance with the Ministry of Economic Affairs' policy, momo entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid bonus and electronic tickets totaling \$20,228 thousand and \$374 thousand, respectively, as of December 31, 2015.

In accordance with the Ministry of Economic Affairs' policies, TKT entered into a contract with Mega International Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid music cards totaling \$1,320 thousand as of December 31, 2015.

- d. On January 15, 2009, TNH signed the BOT contract with the Department of Cultural Affairs of Taipei City Government. The primary terms of the contract are summarized as follows:

1) Construction and operating period:

The construction and operating period is 50 years from the day following the signing of the contract.

2) Development concession:

The total initial amount of concession was \$1,238,095 thousand (tax excluded). According to the supplemental agreement signed in November 2014, the concession will be paid with additional business tax from the signing date of the supplemental agreement; thus, the concession will be increased by \$48,750 thousand. The rest of the concession will be paid over 14 years from the year 2015. As of December 31, 2015, \$353,031 thousand (tax included) of the concession had been paid.

3) Performance guarantee:

As of December 31, 2015, TNH had provided a \$65,000 thousand performance guarantee regarding the BOT contract.

4) Rental of land:

During the construction period, TNH should pay land value tax (1% of the announced land value) and other expenses.

During the operating period, TNH should pay 60% of 5% of the announced land value, that is, 3% of the announced land value. According to the supplemental agreement signed in November 2014, the concession will be paid with additional business tax from the date of agreement signing.

- e. In May 2015, Far EasTone Telecommunications (FET) filed with the Taipei District Court a request for provisional injunction to prohibit TWM from using a portion of its C1 spectrum block (1715.1-1721.3/1810.1-1816.3 MHz). FET offered a security deposit of \$1,048,703 thousand for the Court to bring the requested injunction into effect. The Court granted the request but allowed TWM to provide a counter-security deposit of \$927,000 thousand to continue the use of the spectrum block. TWM filed for the counter-security on July 14, 2015 and the use of the C1 band remains status quo. The rights and interests of the subscribers will not be affected. Besides, in August 2015, FET filed with the Court a civil statement of complaint, in which FET claims that (i) TWM shall not use the C1 spectrum block until TWM returns the C4 spectrum block and (ii) TWM shall immediately apply to return the C4 spectrum block to the NCC. In September 2015, FET raised an additional claim in which FET claims that TWM shall provide \$1,005,800 thousand to FET as compensation. The aforementioned case is still in the judicial proceeding and still unable to predict the lawsuit result.
- f. YJCTV has requested for reexamination due to disagreement with the assessments of the business tax returns from 2008 to 2013.

**37. SIGNIFICANT CASUALTY LOSS: NONE**

**38. SIGNIFICANT SUBSEQUENT EVENTS**

On January 29, 2016, the Board of Directors resolved that TWM will purchase the mobile broadband equipment from Nokia Solutions and Networks Taiwan Co, Ltd. Total amount of the contract will not exceed \$3,208,907 thousand.

### 39. OTHERS

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

	For the Year Ended December 31					
	2015			2014		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 2,036,793	\$ 3,823,927	\$ 5,860,720	\$ 2,042,923	\$ 3,988,524	\$ 6,031,447
Insurance expenses	169,231	332,102	501,333	168,993	333,381	502,374
Pension	88,588	166,249	254,837	87,587	167,275	254,862
Others	105,030	223,877	328,907	95,947	183,587	279,534
Depreciation	10,074,155	498,999	10,573,154	9,187,476	530,740	9,718,216
Amortization	2,525,285	414,334	2,939,619	1,544,286	327,143	1,871,429

- a. TWM's estimated bonus to employees and estimated remuneration to directors are accrued by a percentage of the profit in accordance with the current TWM's Articles of Incorporation. For the year ended December 31, 2014, TWM's estimated bonus to employees totaling \$396,057 thousand and estimated remuneration to directors totaling \$33,846 thousand.

In accordance with the amendments to the Company Act in May 2015 and the amended TWM's Articles of Incorporation proposed by the Board of Directors in October 2015, the estimated employee remuneration and estimated remuneration to directors based on a proportion of profit before income tax, employee remuneration and remuneration to directors. The employee remuneration and remuneration to directors of 2015 proposed by the Board of Directors on January 29, 2016 and the amounts recognized in the consolidated financial statements were as follows:

	Employee Remuneration	Remuneration to Directors
Amounts proposed by the Board of Directors	\$ 454,757	\$ 45,476
Amounts recognized in the consolidated financial statements	\$ 466,322	\$ 46,632

The differences above will be adjusted in 2016.

For the years ended December 31, 2014 and 2013, the AGM resolved on June 10, 2015 and June 12, 2014, to distribute bonuses to employees totaling \$396,057 thousand and \$420,753 thousand, respectively, and remuneration to directors totaling \$33,846 thousand and \$42,075 thousand, respectively. There were no differences between the above actual distributions and the amounts recognized in the financial statements for 2014 and 2013.

Information on the bonus to employees and directors proposed by the Board of Directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

- b. For the years ended December 31, 2015 and 2014, the depreciation expense in non-operating expenses was \$3,019 thousand and \$3,363 thousand, respectively.

#### 40. ADDITIONAL DISCLOSURES

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

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

- 1) Financing extended to other parties: Table 1 (attached)
- 2) Endorsements/guarantees provided to other parties: Table 2 (attached)
- 3) Marketable securities held: Table 3 (attached) (excluding investments in subsidiaries and associates)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
- 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- 8) Receivables from related parties of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- 9) Names, locations and related information of investees on which TWM exercised significant influence: Table 7 (attached) (excluding information on investment in Mainland China)
- 10) Trading in derivative instruments: Note 33
- 11) Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 8 (attached)

c. Information on investment in Mainland China:

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

#### 41. SEGMENT INFORMATION

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

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

**Retail:** Providing TV shopping, online shopping, and catalog shopping.

**Cable Television:** Providing pay TV and cable broadband services.

**Others:** Business other than telecommunication, retail, and cable television.

The amount of discontinued operations is not included in the following segment information. For the information about discontinued operations, see Note 11 to the consolidated financial statements for details.

<b>For the Year Ended December 31, 2015</b>	<b>Telecommuni- cation</b>	<b>Retail</b>	<b>Cable Television</b>	<b>Others</b>	<b>Adjustments and Eliminations</b>	<b>Total</b>
Operating revenues	\$ 83,780,637	\$ 25,639,898	\$ 6,554,973	\$ 597,287	\$ (428,590)	\$ 116,144,205
Operating costs	53,846,632	22,536,236	3,139,944	442,425	(180,102)	79,785,135
Operating expenses	15,102,006	2,043,265	783,836	125,843	(160,449)	17,894,501
Other gains and losses, net	281,410	(1,628)	29,528	-	(4,730)	304,580
Profit	15,113,409	1,058,769	2,660,721	29,019	(92,769)	18,769,149
EBITDA (Note)	27,229,012	1,190,763	3,563,763	237,863	63,540	32,284,941

<b>For the Year Ended December 31, 2014</b>	<b>Telecommuni- cation</b>	<b>Retail</b>	<b>Cable Television</b>	<b>Others</b>	<b>Adjustments and Eliminations</b>	<b>Total</b>
Operating revenues	\$ 82,355,506	\$ 23,897,005	\$ 6,380,295	\$ 383,028	\$ (391,955)	\$ 112,623,879
Operating costs	51,316,415	20,592,348	3,041,334	257,043	(109,598)	75,097,542
Operating expenses	15,332,801	1,879,684	755,413	65,313	(108,573)	17,924,638
Other gains and losses, net	71,681	2,442	35,971	-	17	110,111
Profit	15,777,971	1,427,415	2,619,519	60,672	(173,767)	19,711,810
EBITDA (Note)	26,105,615	1,562,408	3,440,127	201,400	(13,609)	31,295,941

Note: The Group uses EBITDA (Operating income + Depreciation and amortization expenses) as the measurement for segment profit and the basis of performance assessment.

a. Geographical information

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

b. Information on major customers

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

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING EXTENDED TO OTHER PARTIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits	Note
													Item	Value			
1	TFN	TWM	Other receivables	Yes	\$ 9,000,000	\$ 9,000,000	\$ 5,680,000	1.23511%-1.29622%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 20,443,430	\$ 20,443,430	Note 2
2	GCTV	TFNM	Other receivables	Yes	260,000	250,000	250,000	1.23100%-1.29489%	Short-term financing	-	Repayment of financing	-	-	-	281,919	499,040	Note 3
3	PCTV	TFNM	Other receivables	Yes	540,000	520,000	520,000	1.18567%-1.29489%	Transactions	550,024	-	-	-	-	550,024	992,673	Note 3
4	YJCTV	TFNM	Other receivables	Yes	480,000	470,000	470,000	1.18567%-1.29633%	Transactions	500,849	-	-	-	-	500,849	783,580	Note 3
5	WMT	TWM	Other receivables	Yes	2,800,000	2,700,000	1,840,000	1.18567%-1.298%	Short-term financing	-	Operation requirements	-	-	-	8,244,956	8,244,956	Note 2
		TKT	Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,244,956	8,244,956	Note 2
		WTVB	Other receivables	Yes	600,000	600,000	20,000	1.28111%-1.29789%	Short-term financing	-	Operation requirements	-	-	-	8,244,956	8,244,956	Note 2
		TFNM	Other receivables	Yes	3,000,000	3,000,000	2,070,000	1.28111%-1.29789%	Short-term financing	-	Operation requirements	-	-	-	8,244,956	8,244,956	Note 2
6	TCC	TWM	Other receivables	Yes	300,000	300,000	300,000	1.23511%-1.29622%	Short-term financing	-	Operation requirements	-	-	-	32,038,938	32,038,938	Note 2

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

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

Note 3: Where funds are loaned for reasons of business dealings and short-term financing needs, the amount of loaned funds shall be limited to the total amount of business dealings and 40% of the lending company's net worth. 1) For reasons of business dealings: The individual lending amount and the aggregate amount of loaned funds shall not exceed the amount of business dealings. 2) For short-term financing needs: The individual lending amount and the aggregate amount of loaned funds shall not exceed 40% of the lending company's net worth.



**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

(In Thousands of New Taiwan Dollars)

No.	Company Providing Endorsements/ Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts (Note 1)	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor (Note 1)	Maximum Endorsements/ Guarantees Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	TWM	TFN TKT	Note 2 Note 2	\$ 42,000,000 259,800	\$ 21,500,000 50,000	\$ 21,500,000 50,000	\$ 13,235,900 50,000	\$ - -	36.10 0.08	\$ 59,555,705 59,555,705	Y Y	N N	N N	Notes 3 and 4 Note 3
1	momo	FGE	Note 2	807,001	525,760	149,250	149,250	-	2.65	5,641,525	N	N	Y	Note 5

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

Note 2: Direct/indirect subsidiary.

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

Note 4: Including US\$65,000 thousand.

Note 5: The aggregate endorsement/guarantee amount provided by momo shall be limited to the net worth of momo for all the investments which momo holds, directly and indirectly, more than 50% ownership, and the individual amount shall be limited to the investment amount for a single subsidiary.

TABLE 3

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)  
DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2015				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
TWM	<u>Stock</u>							
	Chunghwa Telecom Co., Ltd.	-	Current available-for-sale financial assets	2,174	\$ 215,395	0.028	\$ 215,395	
	Ambit Microsystems Corporation	-	Non-current available-for-sale financial assets	298,000	1,727,171	14.9	1,727,171	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at cost	800	7,050	10	-	
	Yes Mobile Holdings Company	-	Non-current financial assets at cost	74	-	0.19	-	Note 1
momo	<u>Beneficiary Certificates</u>							
	Fubon Strategic High Income Fund B	Related party in substance	Current available-for-sale financial assets	18,302	172,033	-	172,033	
	Fuh Hwa Emerging Market High Yield Bond Fund B	-	Current available-for-sale financial assets	10,225	62,270	-	62,270	
	PineBridge Global Multi - Strategy High Yield Bond Fund-B	-	Current available-for-sale financial assets	23,351	163,680	-	163,680	
	Eastspring Investments Global High Yield Bond Fund B	-	Current available-for-sale financial assets	19,028	154,113	-	154,113	
	JPMorgan (Taiwan) Asia High Yield Total Return Bond Fund - Monthly Distribution Share Class	-	Current available-for-sale financial assets	18,916	182,895	-	182,895	
	<u>Stock</u>							
	Media Asia Group Holdings Limited	-	Current available-for-sale financial assets	43,668	77,746	2.04	77,746	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at cost	2,400	60,000	7.73	-	
	TCC	<u>Stock</u>						
Arcoa Communication Co., Ltd.		-	Non-current financial assets at cost	6,998	67,731	5.21	-	
Parawin Venture Capital Corp.		-	Non-current financial assets at cost	1,944	9,311	3	-	
Transportation High Tech Inc.		-	Non-current financial assets at cost	1,200	-	12	-	Note 1
	WEB Point Co., Ltd.	-	Non-current financial assets at cost	803	6,773	3.17	-	
TFNM	<u>Beneficiary Certificates</u>							
	Dragon Tiger Capital Partners Limited - Class B	-	Non-current financial assets at cost	0.2	6	0.33	-	
	Dragon Tiger Capital Partners Limited - Class C	-	Non-current financial assets at cost	0.0335	2,202	0.05	-	
	<u>Bonds</u>							
	Media Asia Group Holdings Limited - Convertible Notes	-	Non-current financial assets at fair value through profit or loss	-	158,322	-	158,322	
		-	Non-current debt instrument investment without active market	-	359,062	-	-	

(Continued)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2015				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
TCCI	Stock TWM Great Taipei Broadband Co., Ltd.	TWM -	Non-current available-for-sale financial assets	200,497	\$ 20,049,676	5.86	\$ 20,049,676	
			Non-current financial assets at cost	10,000	39,627	6.67	-	
TID	Stock TWM	TWM	Non-current available-for-sale financial assets	87,590	8,758,956	2.56	8,758,956	
TFN	Stock Taiwan High Speed Rail Corporation	-	Non-current available-for-sale financial assets	90,212	937,307	1.61	937,307	
TUI	Stock TWM	TWM	Non-current available-for-sale financial assets	410,665	41,066,528	12	41,066,528	

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

Note 2: For the information on investments in subsidiaries and associates, see Table 7 and Table 9 for details.

(Concluded)

TABLE 4

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Units/Shares (Thousands)	Amount	Units/Shares (Thousands)	Amount	Units/Shares (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Units/Shares (Thousands)	Amount
momo	<u>Stock</u> Honest Development	Investments accounted for using equity method	Capital increase	Subsidiary	-	\$ -	21,778	\$ 670,448	-	\$ -	\$ -	\$ -	21,778	\$ 713,722 (Note 1)
Honest Development	<u>Stock</u> HK Yue Numerous (Note 2)	Investments accounted for using equity method	Young Label Holdings Limited	-	-	-	16,600	670,448 (Note 2)	-	-	-	-	16,600	713,722 (Note 1)
momo	<u>Beneficiary Certificates</u> Allianz Global Investors Taiwan Money Market Fund	Current available-for-sale financial assets	-	-	32,520	400,007	-	-	32,520	401,122	400,000	1,122	-	-
	Eastspring Inv Well Pool Money Market	Current available-for-sale financial assets	-	-	29,933	400,006	-	-	29,933	401,032	400,000	1,032	-	-
TFNM	<u>Bonds</u> Media Asia Group Holdings Limited - Convertible Notes	Non-current financial assets at fair value through profit or loss	-	-	-	-	-	214,245	-	-	-	-	-	158,322 (Note 1)
		Non-current debt instrument investment without active market	-	-	-	-	-	302,505	-	-	-	-	-	359,062 (Note 1)

Note 1: The ending balance includes financial assets evaluation adjustments, exchange gains and losses, interest income, and related adjustments of investments accounted for using equity method.

Note 2: momo, through acquiring 100% equity of HK Yue Numerous, acquired 100% equity of Haobo and 20% equity of GHS.

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
TWM	TFN	Subsidiary	Sale	\$ 1,295,500	2	Based on contract terms	-	-	\$ 190,176	2	(Note 1)
			Purchase	4,885,923	(Note 2)	Based on contract terms	-	-	(515,962)	(Note 3)	(Note 1)
	TKT	Subsidiary	Purchase	351,615	1	Based on contract terms	-	-	(90,895)	3	(Note 1)
			Purchase	1,112,890	(Note 2)	Based on contract terms	-	-	(88,862)	(Note 3)	
	TDS	Subsidiary	Sale	5,752,554	7	Based on contract terms	-	-	-	-	
			Purchase	6,501,321	(Note 2)	Based on contract terms	-	-	(10,524)	(Note 3)	(Note 1)
momo	Subsidiary	Sale	101,755	-	Based on contract terms	-	-	9,384	-		
TT&T	TWM	Ultimate parent	Sale	1,112,890	91	Based on contract terms	-	-	88,862	91	
TFN	TWM	Ultimate parent	Sale	4,885,923	43	Based on contract terms	-	-	515,962	55	(Note 1)
			Purchase	1,295,500	(Note 2)	Based on contract terms	-	-	(190,176)	(Note 3)	(Note 1)
	TFNM	Fellow subsidiary	Sale	151,223	1	Based on contract terms	-	-	40,427	4	
	TFN HK Ltd	Subsidiary	Purchase	108,561	2	Based on contract terms	-	-	(23,272)	8	
TFN HK Ltd	TFN	Parent	Sale	106,054	100	Based on contract terms	-	-	23,485	100	
TDS	TWM	Ultimate parent	Sale	6,502,874	70	Based on contract terms	-	-	10,524	100	
			Purchase	5,752,554	(Note 2)	Based on contract terms	-	-	-	-	
TKT	TWM	Ultimate parent	Sale	351,615	64	Based on contract terms	-	-	90,895	100	(Note 1)
TFNM	PCTV	Subsidiary	Channel leasing fee	470,704	15	Based on contract terms	(Note 4)	(Note 4)	-	-	
	YJCTV	Subsidiary	Channel leasing fee	425,376	13	Based on contract terms	(Note 4)	(Note 4)	-	-	
	UCTV	Subsidiary	Channel leasing fee	220,664	7	Based on contract terms	(Note 4)	(Note 4)	-	-	
	GCTV	Subsidiary	Channel leasing fee	183,942	6	Based on contract terms	(Note 4)	(Note 4)	-	-	
	TFN	Fellow subsidiary	Operating costs	146,644	12	Based on contract terms	-	-	(40,652)	17	
YJCTV	TFNM	Parent	Royalty for copyright	425,376	54	Based on contract terms	(Note 4)	(Note 4)	-	-	
PCTV	TFNM	Parent	Royalty for copyright	470,704	57	Based on contract terms	(Note 4)	(Note 4)	-	-	
UCTV	TFNM	Parent	Royalty for copyright	220,664	47	Based on contract terms	(Note 4)	(Note 4)	-	-	
GCTV	TFNM	Parent	Royalty for copyright	183,942	52	Based on contract terms	(Note 4)	(Note 4)	-	-	
MCTV	Dai-Ka Ltd.	Related party in substance	Royalty for copyright	154,494	50	Based on contract terms	(Note 4)	(Note 4)	(38,624)	89	
momo	TPE	Equity-method investee	Purchase	423,907	2	Based on contract terms	-	-	(37,142)	1	
	TWM	Ultimate parent	Purchase	97,986	1	Based on contract terms	-	-	(7,219)	-	

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

Note 2: Including operating costs and operating expenses.

Note 3: Including accounts payable and other payables.

Note 4: The companies authorized a related party to deal with the copyright fees for cable television. As said account item is the only one, there is no comparable transaction.

**TABLE 6**

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2015**

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
						Amount	Action Taken		
TWM	TFN	Subsidiary	Accounts receivable	\$ 190,176	5.54	\$ -	-	\$ 188,851	\$ -
			Other receivables	37,148		-	-	34,737	-
TCC	TWM	Parent	Other receivables	300,629		-	-	-	-
WMT	TWM	Parent	Other receivables	1,843,738		-	-	277	-
	TFNM	Subsidiary	Other receivables	2,080,068		-	-	8,456	-
TFN	TWM	Ultimate parent	Accounts receivable	515,962	10.61	-	-	464,933	-
			Other receivables	5,765,048		-	-	28,126	-
PCTV	TFNM	Parent	Accounts receivable	3,134	9.27	-	-	-	-
			Other receivables	520,013		-	-	-	-
GCTV	TFNM	Parent	Accounts receivable	1,372	9.17	-	-	-	-
			Other receivables	250,001		-	-	-	-
YJCTV	TFNM	Parent	Accounts receivable	3,332	8.59	-	-	-	-
			Other receivables	470,008		-	-	-	-

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE  
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2015			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2015	December 31, 2014	Shares (Thousands)	Percentage of Ownership	Carrying Value			
TWM	TCC	Taiwan	Investment	\$ 40,397,288	\$ 41,872,288	502,970	100	\$ 20,858,534	\$ 4,257,853	\$ 2,672,114	Note 1
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,683,114	(79,785)	(39,813)	
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	20,612,389	2,652,454	2,652,454	
	ADT	Taiwan	Technology development of mobile payment and information processing services	30,000	30,000	3,000	13.33	16,009	(53,481)	(7,130)	
WMT	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,090,251	1,060,781	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	307,793	85,080	-	Note 2
	TFNM	Taiwan	Cable broadband and value added service provider	5,210,443	5,210,443	230,921	100	7,111,571	2,177,731	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	97,710	5,111	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	17,844	770	-	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	96,152	77,039	-	Note 2
GFMT	UCTV	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	16,157	130,593	-	Note 2
momo	Fu Sheng Travel Service Co., Ltd.	Taiwan	Travel agent	6,000	6,000	3,000	100	27,125	(9,252)	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	10,863	2,367	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	8,116	(781)	-	Note 2
	Asian Crown (BVI)	British Virgin Islands	Investment	789,864	789,864	26,500	76.26	35,628	(203,520)	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	415,597	123,465	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	142,776	142,776	31,150	35	161,491	82,381	-	Note 2
	Honest Development	Samoa	Investment	670,448	-	21,778	100	713,722	25,162	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,035,051	1,035,051	33,633	100	41,831	(203,533)	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,035,051	1,035,051	33,633	100	41,831	(203,533)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	-	16,600	100	713,722	25,162	-	Notes 2 and 4

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2015			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2015	December 31, 2014	Shares (Thousands)	Percentage of Ownership	Carrying Value			
TCC	TWM Holding	British Virgin Islands	Investment	\$ 347,951	\$ 347,951	-	100	\$ 265,537	\$ 6,367	\$ -	Notes 2 and 5
	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	51,109,538	3,588,109	-	Note 2
	TDC	Taiwan	Mobile phone wholesaling and TV program production	112,000	112,000	11,200	100	115,936	(303)	-	Note 2
	TCCI	Taiwan	Investment	17,285,441	17,785,441	154,721	100	27,580,364	179,271	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	103,900	61,313	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	1,000,000	2,500	100	504,341	409,948	-	Note 2
TT&T	TT&T Holdings	Samoa	Investment	36,284	36,284	1,300	100	54,418	2,134	-	Note 2
TCCI	TID.	Taiwan	Investment	3,602,782	3,602,782	104,712	100	7,639,235	(338)	-	Note 2
TFNM	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	2,231,310	163,890	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	650,195	104,987	-	Notes 2 and 6
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,431,406	213,621	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,101,684	130,593	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,273,618	77,039	-	Note 2
	TKT	Taiwan	Digital music service	129,900	129,900	12,000	100	299,345	53,242	-	Note 2
	Kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	277,574	20,141	-	Note 2
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	35,789,752	(215)	-	Note 2
	TFN HK Ltd.	Hong Kong	Telecommunications service provider	3,154	3,154	1,300	100	20,935	3,311	-	Note 2

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

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

Note 3: For information on investment in Mainland China, see Table 9 for details.

Note 4: momo, through acquiring 100% equity of HK Yue Numerous, acquired 100% equity of Haobo and 20% equity of GHS.

Note 5: Held 1 share on December 31, 2015.

Note 6: 70.47% of shares are held under trustee accounts.

(Concluded)



**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

(In Thousands of New Taiwan Dollars)

Number	Company Name	Counter Party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	TWM	momo	1	Accounts and notes receivable, net	\$ 9,384	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Accounts and notes receivable, net	7,222	"	-
		TFN	1	Other receivables	37,148	"	-
		UCTV	1	Other receivables	3,228	"	-
		TDS	1	Other receivables	2,303	"	-
		TNH	1	Other non-current assets	18,823	"	-
		TFN	1	Short-term borrowings	5,680,000	"	4
		WMT	1	Short-term borrowings	1,840,000	"	1
		TCC	1	Short-term borrowings	300,000	"	-
		TKT	1	Accounts payable	90,734	"	-
		TFN	1	Accounts payable	2,059	"	-
		TFN	1	Other payables	552,072	"	-
		TT&T	1	Other payables	88,851	"	-
		TDS	1	Other payables	13,303	"	-
		WMT	1	Other payables	3,738	"	-
		TKT	1	Other payables	2,451	"	-
		TNH	1	Other payables	1,981	"	-
		YJCTV	1	Other payables	1,307	"	-
		TFN	1	Other current liabilities	40,169	"	-
		momo	1	Other current liabilities	3,825	"	-
		TKT	1	Other current liabilities	2,056	"	-
		TKT	1	Disposal of property, plant, and equipment	9,368	"	-
		UCTV	1	Disposal of property, plant, and equipment	3,043	"	-
		TDS	1	Acquisition of property, plant and equipment	77,564	"	-
		TDS	1	Operating revenues	5,752,554	"	5
		TFN	1	Operating revenues	1,295,500	"	1
		momo	1	Operating revenues	101,755	"	-
		YJCTV	1	Operating revenues	2,119	"	-
		PCTV	1	Operating revenues	1,870	"	-
		UCTV	1	Operating revenues	1,466	"	-
		TKT	1	Operating revenues	1,397	"	-
		GCTV	1	Operating revenues	1,157	"	-
		TFNM	1	Operating revenues	1,058	"	-
		TFN	1	Operating costs	4,862,699	"	4
		TKT	1	Operating costs	351,544	"	-
		TNH	1	Operating costs	30,399	"	-

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets	
				Account	Amount	Transaction Terms		
		TFNM	1	Operating costs	\$ 11,078	The terms of transaction are determined in accordance with mutual agreements or general business practices	-	
		YJCTV	1	Operating costs	7,287		"	-
		GCTV	1	Operating costs	3,037		"	-
		MCTV	1	Operating costs	1,239		"	-
		TDS	1	Realized gain on sales	45,632		"	-
		TT&T	1	Operating expenses	1,112,810		"	1
		TNH	1	Operating expenses	74,416		"	-
		TFN	1	Operating expenses	60,986		"	-
		TCCI	1	Operating expenses	6,337		"	-
		momo	1	Other income	41,535		"	-
		TFN	1	Other income	37,427		"	-
		TDS	1	Other income	3,695		"	-
		TFN	1	Finance costs	90,235		"	-
		WMT	1	Finance costs	23,669		"	-
		TCC	1	Finance costs	3,846	"	-	
1	WMT	TFNM	1	Other receivables	2,080,068	"	1	
		WTVB	1	Other receivables	20,068	"	-	
		TFNM	1	Other income	23,193	"	-	
		WTVB	1	Other income	2,430	"	-	
2	momo	FST	1	Accounts and notes receivable, net	29,830	"	-	
		FST	1	Operating revenues	24,987	"	-	
		TFNM	3	Operating costs	95,019	"	-	
		MCTV	3	Operating costs	9,541	"	-	
		TT&T	3	Operating costs	3,440	"	-	
		WTVB	3	Operating costs	1,638	"	-	
		PCTV	3	Operating costs	1,125	"	-	
3	TFNM	YJCTV	1	Accounts and notes receivable, net	35,484	"	-	
		PCTV	1	Accounts and notes receivable, net	33,219	"	-	
		UCTV	1	Accounts and notes receivable, net	21,996	"	-	
		GCTV	1	Accounts and notes receivable, net	14,535	"	-	
		MCTV	1	Accounts and notes receivable, net	13,070	"	-	
		PCTV	1	Short-term borrowings	520,000	"	-	
		YJCTV	1	Short-term borrowings	470,000	"	-	
		GCTV	1	Short-term borrowings	250,000	"	-	
		YJCTV	1	Accounts payable	1,492	"	-	
		PCTV	1	Accounts payable	1,446	"	-	
		WTVB	3	Other payables	70,823	"	-	
		YJCTV	1	Other payables	1,847	"	-	

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets	
				Account	Amount	Transaction Terms		
		PCTV	1	Other payables	\$ 1,699	The terms of transaction are determined in accordance with mutual agreements or general business practices	-	
		UCTV	1	Other payables	1,206		"	-
		PCTV	1	Operating revenues	512,544		"	-
		YJCTV	1	Operating revenues	462,953		"	-
		UCTV	1	Operating revenues	220,664		"	-
		GCTV	1	Operating revenues	200,708		"	-
		MCTV	1	Operating revenues	15,067		"	-
		WTVB	3	Operating revenues	1,321		"	-
		WTVB	3	Operating costs	75,972		"	-
		PCTV	1	Operating costs	35,789		"	-
		YJCTV	1	Operating costs	34,731		"	-
		UCTV	1	Operating costs	22,503		"	-
		GCTV	1	Operating costs	14,497		"	-
		MCTV	1	Operating costs	7,254		"	-
		YJCTV	1	Operating expenses	3,165		"	-
		PCTV	1	Operating expenses	2,294		"	-
		UCTV	1	Operating expenses	1,943		"	-
		GCTV	1	Operating expenses	1,916		"	-
		MCTV	1	Operating expenses	1,564		"	-
		PCTV	1	Finance costs	6,800		"	-
		YJCTV	1	Finance costs	5,355	"	-	
		GCTV	1	Finance costs	3,258	"	-	
4	TFN	TFNM	3	Accounts and notes receivable, net	41,230	"	-	
		TFN HK Ltd.	1	Other receivables	23,272	"	-	
		TT&T	3	Other receivables	8,503	"	-	
		TFNM	3	Operating revenues	151,223	"	-	
		momo	3	Operating revenues	8,038	"	-	
		TKT	3	Operating revenues	4,933	"	-	
		PCTV	3	Operating revenues	4,867	"	-	
		UCTV	3	Operating revenues	4,138	"	-	
		MCTV	3	Operating revenues	2,168	"	-	
		YJCTV	3	Operating revenues	1,593	"	-	
		GCTV	3	Operating revenues	1,457	"	-	
		TFN HK Ltd.	1	Operating costs	108,561	"	-	
		UCTV	3	Operating costs	1,769	"	-	
		YJCTV	3	Operating costs	1,723	"	-	
		TT&T	3	Operating expenses	97,500	"	-	
		TNH	3	Operating expenses	27,665	"	-	
		WTVB	3	Other income	5,568	"	-	
5	TT&T	TKT	3	Operating revenues	2,647	"	-	

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
6	TDS	TWM TNH TNH	2	Operating revenues	\$ 6,502,874	The terms of transaction are determined in accordance with mutual agreements or general business practices " "	6
			3	Operating costs	1,323		-
			3	Operating expenses	24,011		-
7	TKT	TNH TNH	3	Other non-current assets	1,106	"	-
			3	Operating costs	1,159	"	-

Note 1: 1. Parent to subsidiary.  
2. Subsidiary to parent.  
3. Between subsidiaries.

Note 2: All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

(Concluded)

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015	Note
					Outflow	Inflow							
Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis and development of CRM application and information consulting services	\$ -	b	\$ 42,718	\$ -	\$ -	\$ 42,718	\$ -	100	\$ -	\$ -	\$ -	Note 2
TWMC	Mobile application development and design	98,580	b	160,094	-	-	160,094	5	100	5	111,999	-	
FGE	Wholesaling	1,144,250	b	807,001	-	-	807,001	(222,815)	69.63	(155,146)	31,517	-	
Haobo	Investment	54,725	b	-	-	-	-	25,162	100	25,162	713,722	-	Note 3
GHS	Wholesaling	65,033	b	-	-	-	-	310,641	18	25,263	713,691	-	Note 3

Company	Accumulated Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
TWM and subsidiaries	\$1,724,250	\$1,808,149	\$39,175,034

Note 1: The investment types are as follows:

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

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

Note 3: momo, through Honest Development acquired HK Yue Numerous, its subsidiary, Haobo, and the associate, GHS at \$670,448 thousand.

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