Taiwan Mobile Co., Ltd. and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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

The description of key audit matter:

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

Corresponding audit procedure:

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

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

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

Telecommunications and Value-added Services Revenue

The description of key audit matter:

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

Corresponding audit procedure:

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

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

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

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

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

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

January 31, 2019

<u>*Notice to Readers*</u>

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

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

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

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

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

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

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

TWM received a second-generation ("2G") mobile telecommunications concession operation license issued by the Directorate General of Telecommunications ("DGT") of the ROC. The license allows TWM to provide services for 15 years from 1997 onwards. The 2G concession license had been renewed by the National Communications Commission ("NCC") and terminated on June 30, 2017. TWM received a third-generation ("3G") concession license issued by the DGT in March 2005, and the 3G concession license terminated on December 31, 2018. TWM participated in the fourth-generation ("4G") mobile spectrum auctions held by NCC for the need of long-term business development and from April 2014 to June 2018 acquired the concession licenses for the mobile broadband spectrum in the 700, 1800 and 2100MHz frequency bands separately, and the aforementioned licenses are valid until December 2030 and December 2033, respectively.

The consolidated financial statements of TWM comprise TWM and its subsidiaries (collectively, the "Group").

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements on January 31, 2019.

3. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

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

1) IFRS 9 “Financial Instruments” and related amendment

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

Classification, measurement and impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

   Incremental costs of obtaining a contract will be capitalized and recognized as an asset to the extent the Group expects to cover those costs. Such asset will be amortized on a basis that is consistent with the transfer to the customer of the goods or services during the contract period to which the asset relates. Before adopting IFRS 15, related costs are recognized as expense immediately.

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

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

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

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

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

Impact on assets, liabilities and equity for the current year

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

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

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

Impact on total comprehensive income for the current year

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

(Continued)

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

(Concluded)

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

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

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

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

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

IFRS 16 "Leases"

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

Definition of a lease

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

The Group as lessee

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

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

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

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

The Group as lessor

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

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

Anticipated impact on assets, liabilities and equity

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

(Continued)

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

(Concluded)

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

a. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

b. Functional and presentation currency

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

Basis of Consolidation

a. Principles of preparation of consolidated financial statements

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

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

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

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

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

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

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

(Continued)

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

(Concluded)

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

Note 2: Set up in January 2018.

Note 3: Dissolved in February 2018.

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

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

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

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

Foreign Currency

Foreign currency transactions are recorded at the spot exchange rate on the date of the transaction. At the end of the reporting period, foreign currency monetary items are reported using the closing rate. Exchange differences in the period on monetary items arising from settlement or translation are recognized in profit or loss in the period which they arise.

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

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

When preparing consolidated financial statements, the assets and liabilities of foreign operations are translated to NTD using the exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated at the average exchange rate for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity attributed to the owners of TWM and non-controlling interests as appropriate.

Classification of Current and Non-current Assets and Liabilities

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

a. It holds the asset primarily for the purpose of trading;

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

c. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

a. It holds the liability primarily for the purpose of trading;

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

c. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Financial Instruments

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

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

a. Financial assets

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

   1) Measurement category

      <u>2018</u>

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

a) Financial assets at FVTPL

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

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

b) Financial assets at amortized cost

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

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

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

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

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

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

c) Investments in equity instruments at FVTOCI

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

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

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

2017

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

a) Financial assets at FVTPL

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

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

b) Available-for-sale financial assets

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

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

c) Loans and receivables

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

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

2) Impairment of financial assets and contract assets

2018

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

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

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

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

<u>2017</u>

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

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

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

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

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

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

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

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

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

3) Derecognition of financial assets

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

2018

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

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

2017

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

b. Equity instruments

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

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

c. Financial liabilities

1) Recognition

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

2) Convertible bonds

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

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

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

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

3) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

d. Derivative financial instruments

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

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

Inventories

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

Non-current Assets Held for Sale

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

Assets classified as non-current assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell, and should not be depreciated.

Investment in Associates

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

Investments in associates are accounted for using equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses. Goodwill is not amortized. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss. The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

Land has an unlimited useful life and therefore is not depreciated. For the estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment, see Note 14 to the consolidated financial statements for details.

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

Investment Property

Investment property is a property held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation methods, useful lives, and residual values are the same as plant, property and equipment.

Leases

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

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

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

Intangible Assets

a. Goodwill

   Goodwill acquired in a business combination is recognized at the acquisition date, and is measured at cost less accumulated impairment losses.

b. Service concession agreement

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

c. Other intangible assets

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

d. Amortization and derecognition of intangible assets

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date that they are available for use. For the estimated useful lives for the current and comparative periods, see Note 16 to the consolidated financial statements for details.

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

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

Incremental Costs of Obtaining a Contract

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

Impairment of Non-financial Assets

a. Goodwill

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

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

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

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

Provisions

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

a. Restoration

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

b. Decommissioning

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

c. Warranties

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

Treasury Stock

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

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

Government Grants

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

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

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

Employee Benefits

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

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

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

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

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

Income Tax

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

a. Current taxes

   Current taxes include tax payables and tax deduction receivables on taxable gains (losses), as well as tax adjustments related to prior years.

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

b. Deferred taxes

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

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

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

3) Initial recognition of goodwill.

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

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

Revenue

<u>2018</u>

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

<u>Telecommunications and value-added services revenue</u>

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

<u>Revenue from sale of goods</u>

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

Cable television and broadband services revenue

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

Other operating income

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

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

2017

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

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

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

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

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

c. The amount can be reliably measured;

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

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

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

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

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

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission due to the Group.
Proceeds from games services are recognized as advance receipts upon receiving deposits from customers and are recognized as revenue over the service periods or upon the consumption of deposits.

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

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

Business Combinations

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

   In the process of impairment assessments, the Group relies on subjective judgment to determine the individual cash flows of a specific group of assets and estimates future gains and losses according to the usage of the assets and relevant business characteristics. Alterations of estimates from any changes in economic conditions or business strategy may lead to significant impairment losses in the future.

b. Impairment assessment of goodwill

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

6. CASH AND CASH EQUIVALENTS

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

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

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

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

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

9. ACCOUNTS AND NOTES RECEIVABLE, NET

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

For the Year Ended December 31, 2018

The main credit terms range from 30 to 90 days.

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

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

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

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

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

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

December 31, 2018

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

Expected credit loss rate

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

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

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

For the Year Ended December 31, 2017

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

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

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

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

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

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

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

10. INVENTORIES

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

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

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

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

Aggregate information of associates that were not individually material:

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

a. GHS

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

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

b. TPE

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

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

c. TVD Shopping

In April 2014, momo acquired 35% equity interests of TVD Shopping for THB155,750 thousand.

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

d. ADT

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

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

12. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

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

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

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

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

13. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

14. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

15. INVESTMENT PROPERTIES

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

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

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

16. INTANGIBLE ASSETS

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

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

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

a. Concession licenses

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

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

b. Service concessions

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

c. Customer relationships, operating rights and trademarks

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

1) On April 17, 2007, TFN, one of TWM's wholly-owned subsidiaries, acquired more than 50% of the former Taiwan Fixed Network Co., Ltd. (the "former TFN") through a public tender offer. TWM split the former TFN and its subsidiaries into two cash-generating units, i.e., fixed network service and cable television business. Accordingly, customer relationships and operating rights are identified as major intangible assets.

2) On September 1, 2010, TFNM, one of TWM's wholly-owned subsidiaries, acquired 55% of TKT. On August 12, 2011, TFNM acquired 45% of TKT. TWM measured the fair value of the acquired net assets and viewed TKT's wireless services as one cash-generating unit. Accordingly, trademarks and customer relationships are identified as major intangible assets.

3) On July 13, 2011, WMT, one of TWM's wholly-owned subsidiaries, acquired control over momo. TWM measured the fair value of the acquired assets and viewed momo's retail business as one cash-generating unit. Accordingly, trademarks are identified as major intangible assets.

d. Goodwill

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

	December 31	
	2018	**2017**
Telecommunications service	$ 7,238,758	$ 7,238,758
Fixed network service	357,970	357,970
Cable television business	3,269,636	3,269,636
Retail business	5,006,231	4,979,566
	$ 15,872,595	$ 15,845,930

e. Impairment of assets

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

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

1) Telecommunications service

a) Assumptions on cash flows

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

b) Assumptions on operating revenues

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

c) Assumptions on operating costs and expenses

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

d) Assumptions on discount rates

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

2) Fixed network service

a) Assumptions on cash flows

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

b) Assumptions on operating revenues

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

c) Assumptions on operating costs and expenses

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

d) Assumptions on discount rates

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

3) Cable television business

a) Assumptions on cash flows

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

b) Assumptions on operating revenues

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

c) Assumptions on operating costs and expenses

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

d) Assumptions on discount rates

The discount rates used to calculate the recoverable amount for the asset's cash-generating unit for each system operator ranged from 5.28% to 6.02% and from 3.86% to 3.90% for the years ended December 31, 2018 and 2017, respectively.

4) Retail business

a) Assumptions on cash flows

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

b) Assumptions on operating revenues

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

c) Assumptions on operating costs and expenses

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

d) Assumptions on discount rates

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

Based on the key assumptions of each cash-generating unit, the Group's management believes that the carrying amounts of these operating assets and intangible assets will not exceed their recoverable amounts even if there are any reasonable changes in the critical assumptions used to estimate recoverable amounts. Thus, there was no impairment of such assets for the years ended December 31, 2018 and 2017.

17. OTHER NON-CURRENT ASSETS

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

18. BORROWINGS

a. Short-term borrowings

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

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

b. Short-term notes and bills payable

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

c. Long-term borrowings

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

1) Unsecured loans

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

2) Secured loans

On January 22, 2010, TNH entered into a syndicated loan agreement, with respect to the investment under the aforementioned BOT contract, with a group of banks for which the credit facility is managed by Bank of Taiwan. The aggregate credit and guarantee amount were up to $3,565,000 thousand for 7 years, including the grace period of 4 years, with interest payments on a monthly basis. In addition, TNH signed another credit agreement with Bank of Taiwan for a $3,400,000 thousand credit amount and a $65,000 thousand guarantee amount on September 5, 2017. The agreement started from the date of the first drawdown of the loan and would last for 7 years with interest payments made on a monthly basis. In accordance with the loan agreement, the regular financial covenants, e.g. current ratio, equity ratio, and interest protection multiples, must be complied with during the credit facility period. For property under the BOT contract and its superficies that have been pledged as collateral, see Note 31.

19. BONDS PAYABLE

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

a. 3rd domestic unsecured straight corporate bonds

On December 20, 2012, TWM issued $9,000,000 thousand of seven-year 3rd domestic unsecured bonds; each bond had a face value of $10,000 thousand and a coupon rate of 1.34% per annum, with simple interest due annually. Repayment will be made in the sixth and seventh years in equal installments, i.e., $4,500,000 thousand. As of December 31, 2018, the amount of unamortized bond issue cost was $320 thousand. The trustee of bond holders is Hua Nan Commercial Bank.

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

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

b. 4th domestic unsecured straight corporate bonds

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

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

c. 5th domestic unsecured straight corporate bonds

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

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

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

d. 3rd domestic unsecured convertible bonds

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

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

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

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

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

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

20. PROVISIONS

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

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

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The Group contributed 2% of each employee's monthly wages to the pension fund, with Bank of Taiwan acting as the custodian bank, in accordance with the defined benefit plans (the "Plans"). The Plan provides defined pension benefits for the Group's certain qualified employees, specified under the Labor Standards Law, and such benefits are determined based on an employee's years of service and average monthly salary for six-month period prior to the date of retirement. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group will fund the difference in one appropriation before the end of March of the following year. The Funds are operated and managed by the government's designated authorities; as such, the Group does not have any right to participate in the operation of the Funds.

The defined benefit plans were as follows:

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

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

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

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

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

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

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

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

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

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

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

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

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

	December 31	
	2018	**2017**
Discount rate		
0.25% increase	$ (50,155)	$ (46,698)
0.25% decrease	$ 52,445	$ 48,878
Long-term average adjustment rate of salary		
0.25% increase	$ 50,979	$ 47,655
0.25% decrease	$ (49,028)	$ (45,780)

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

	December 31	
	2018	**2017**
The expected contributions to the Plan for the following year	$ 32,752	$ 33,293
The average duration of the defined benefit obligation	12-18.3 years	12-18.7 years

22. EQUITY

a. Common stock

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

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

b. Capital surplus

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

Under the ROC Company Act, capital surplus generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital, the conversion premium from convertible corporate bonds, the difference between consideration and carrying amount of subsidiaries' stock acquired or disposed of, and treasury stock transactions, may be applied to make-up accumulated deficit, if any, or be transferred to capital as stock dividends, or be distributed as cash dividends when there is no accumulated deficit, and this transfer is restricted to a certain percentage of the paid-in capital. The capital surplus arising from changes in equity of subsidiaries, changes in equity of associates accounted for using equity method and the overdue unclaimed dividends could also be applied to make-up accumulated deficit, if any. And the other capital surplus cannot be used by any means.

c. Appropriation of earnings and dividend policy

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

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

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

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

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

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

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

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

TWM's 2018 earnings appropriations will be proposed by the Board of Directors and approved at the AGM. Information on earnings appropriations is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity interests

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

(Continued)

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

(Concluded)

e. Treasury stock

As of December 31, 2018 and 2017, TWM's stocks held for the investment purposes by TCCI, TUI and TID, which are all wholly-owned by TWM, were 698,752 thousand shares, and the market values were $74,417,046 thousand and $75,115,797 thousand, respectively. Since TWM's stocks held by its subsidiaries are regarded as treasury stock, TWM recognized $29,717,344 thousand as treasury stock. For those treasury stock holders, they have the same rights as the other shareholders, except that they are not allowed to subscribe new shares issued by TWM for cash and exercise the voting rights over such treasury stock.

f. Non-controlling interests

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

23. OPERATING REVENUES

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

a. Contract information

Please refer to Note 4 and Note 36.

b. Contract balances

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

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

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

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

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

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

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

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

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

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

c. Partially completed contracts

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

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

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

d. Incremental costs of obtaining a contract

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

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

24. NON-OPERATING INCOME AND EXPENSES

a. Other income

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

b. Other gains and losses, net

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

c. Finance costs

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

25. INCOME TAX

a. Income tax recognized in profit or loss

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

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

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

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

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

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

c. Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2018 and 2017, were as follows:

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

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

2) Unrecognized deferred tax assets items

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

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

d. Income tax examinations

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

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

26. EARNINGS PER SHARE

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

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

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

27. OPERATING LEASES

a. Lessee

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

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

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

The payments of leases and subleases were as follows:

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

b. Lessor

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

	December 31	
	2018	2017
Less than one year	$ 152,807	$ 145,965
Between one and five years	502,272	546,723
More than five years	79,298	157,515
	$ 734,377	$ 850,203

28. CAPITAL MANAGEMENT

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

29. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

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

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

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

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

b. Fair value of financial instruments

1) Financial instruments not at fair value

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

	December 31			
	2018		2017	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial liabilities				
Bonds payable (including current portion)	$ 28,918,817	$ 29,495,234	$ 21,548,935	$ 22,151,528

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

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

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

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

December 31, 2018

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

December 31, 2017

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

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

Valuation techniques and assumptions used in fair value determination

a) The fair value of financial instruments traded in active markets is based on quoted market prices (including stocks and funds of publicly traded companies).

b) Valuation techniques and inputs applied for Level 2 fair value measurement:

   For foreign unlisted stocks, the Group takes price fluctuations and risk-free rates into consideration by using the market comparison approach. Call and put options of convertible bonds that adopted binomial tree valuation model were evaluated by the observable closing price of the stocks, volatility, risk-free interest rate, risk discount rate, and liquidity risk at the balance sheet date.

c) Valuation techniques and inputs applied for Level 3 fair value measurement:

i. Hybrid instruments

Convertible notes were redeemed at maturity in May 2018.

The embedded derivatives instruments of convertible notes are evaluated by using binary tree evaluation models to evaluate fair value, considering significant unobservable inputs are historical volatility of stock prices and liquidity discount rate. As of December 31, 2017, the historical volatility of stock prices was estimated at 45.1%, and the liquidity discount rate was estimated at 10.53%. Assuming all other variables are constant, an increase (or decrease) in the historical volatility of stock prices used in isolation would result in an increase (or decrease) in the liquidity discount rate. There is a positive correlation between historical volatility of stock prices and fair value and a negative correlation between liquidity discount rate and fair value. As a result, the fair value is affected by historical volatility of stock prices and liquidity discount rate.

ii. Equity instruments

The significant and unobservable input parameter for assessing the unlisted stocks and limited partnerships held by the Group mainly relates to liquidity discount rate. The evaluation of fair value of unlisted stocks is mainly referenced to the same type of companies through the market approach. The fair value of limited partnerships investments was evaluated through the market approach and income approach. The evaluation and assumptions are mainly referenced to related information of comparable market targets and estimated future cash flows. The liquidity discount rate was estimated at 28% and 30% as of December 31, 2018 and 2017, respectively.

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

For the Year Ended December 31, 2018

	Financial Assets at FVTPL - Convertible Notes	**Financial Assets at FVTOCI - Equity Instruments**
Balance at January 1, 2018	$ 490,931	$ 956,286
Recognized in profit or loss (gain on financial assets at FVTPL)	261	-
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	33,482
Redeem	(491,192)	-
Disposal	-	(1,669)
Capital return	-	(3,149)
Balance at December 31, 2018	$ -	$ 984,950

For the Year Ended December 31, 2017

	Financial Assets at FVTPL - Derivative Instruments	Available-for-sale Financial Assets - Equity Instruments
Balance at January 1, 2017	$ 42,030	$ -
Purchases	-	810,865
Recognized in profit or loss		
Loss on financial assets at FVTPL	(39,319)	-
Unrealized loss on foreign currency exchange	(2,711)	-
Recognized in other comprehensive income		
Unrealized loss on available-for-sale financial assets	-	(25,800)
Balance at December 31, 2017	$ -	$ 785,065

c. Financial risk management

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

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

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

2) Risk management framework

a) Decision-making mechanism

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

b) Risk management policies

i. Promote a risk-management-based business model.

ii. Establish a risk management mechanism that can effectively recognize, evaluate, supervise and control risk.

iii. Create a company-wide risk management structure that can limit risk to an acceptable level.

iv. Introduce best risk management practices and continue to seek improvements.

c) Monitoring mechanism

The Internal Audit Office assesses the potential risks that the Group may face and uses this information as a reference for determining its annual audit plan. The Internal Audit Office reports the results and findings of performing such procedures, and follows up the discrepancies, if any, for actions.

3) Credit risk

Credit risk refers to the risk that a counterparty would default on its contractual obligations resulting in financial loss. The maximum credit exposure of the aforementioned financial instruments is equal to their carrying amounts recognized in consolidated balance sheet as of the balance sheet date. The Group has large trade receivables outstanding with its customers. A substantial majority of the Group's outstanding trade receivables are not covered by collateral or credit insurance. The Group has implemented ongoing measures including enhancing credit assessments and strengthening overall risk management to reduce its credit risk. While the Group has procedures to monitor and limit exposure to credit risk on trade receivables, there can be no assurance such procedures will effectively limit its credit risk and avoid losses. This risk is heightened during periods when economic conditions worsen.

As the Group serves a large number of unrelated consumers, the concentration of credit risk was limited.

4) Liquidity risk

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

The Group manages and maintains sufficient level of capital to ensure the requirements of paying estimated operating expenditures, including financial obligations on each contract. The Group also monitors its bank credit facilities to ensure that the provisions of loan contracts are all complied with. As of December 31, 2018 and 2017, the Group had unused bank facilities of $58,376,758 thousand and $52,113,192 thousand, respectively.

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

	Contractual Cash Flows	**Within 1 Year**	**1-5 Years**	**More Than 5 Years**
December 31, 2018				
Unsecured loans	$ 18,370,540	$ 12,336,530	$ 6,034,010	$ -
Secured loans	3,503,401	366,594	1,020,143	2,116,664
Short-term notes and bills payable	1,500,000	1,500,000	-	-
Bonds payable	30,130,500	4,701,180	16,249,320	9,180,000
	$ 53,504,441	$ 18,904,304	$ 23,303,473	$ 11,296,664
December 31, 2017				
Unsecured loans	$ 28,838,139	$ 17,821,716	$ 11,016,423	$ -
Secured loans	3,786,006	271,590	1,044,872	2,469,544
Short-term notes and bills payable	5,600,000	5,600,000	-	-
Bonds payable	22,118,310	7,558,010	14,560,300	-
	$ 60,342,455	$ 31,251,316	$ 26,621,595	$ 2,469,544

5) Market risk

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

The Group carefully evaluates each financial instrument transaction involving any risk such as exchange rate risk, interest rate risk, and market price risk in order to decrease potential influences caused by market uncertainty.

a) Exchange rate risk

The Group mainly operates in Taiwan, except for international roaming services. Most of the operating revenues and expenses are measured in NTD. A small portion of the expenses is paid in USD and EUR, etc.; thus, the Group purchases currency at the spot rate based on the conservative principle in order to hedge exchange rate risk.

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

	December 31, 2018		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Foreign currency assets</u>			
Monetary items			
RMB	$ 17,207	4.464	$ 76,812
USD	37,052	30.79	1,140,858
EUR	609	35.05	21,323
Non-monetary items			
RMB	171,713	4.464	766,529
USD	26,105	30.79	803,772
HKD	2,576	3.93	10,125
THB	125,776	0.953	119,889
<u>Foreign currency liabilities</u>			
Monetary items			
USD	11,702	30.79	360,320
EUR	19	35.05	677

	December 31, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Foreign currency assets</u>			
Monetary items			
RMB	$ 10,805	4.56	$ 49,273
USD	32,668	29.77	972,530
HKD	125,086	3.808	476,329
EUR	654	35.55	23,265
THB	33,711	0.918	30,933
Non-monetary items			
RMB	171,474	4.56	781,922
USD	26,371	29.77	785,065
HKD	7,424	3.808	28,269
THB	128,011	0.918	117,462
<u>Foreign currency liabilities</u>			
Monetary items			
RMB	4,444	4.56	20,265
USD	13,575	29.77	404,123
EUR	24	35.55	855

The Group’s foreign exchange gains and losses, including realized and unrealized, for the years ended December 31, 2018 and 2017, were net exchange gain of $4,007 thousand and net exchange loss of $90,793 thousand, respectively. Due to the variety of functional currencies, the Group could not disclose the foreign exchange gains (losses) for each foreign currency with significant influence.

<u>Sensitivity analysis</u>

The Group’s exchange rate risk comes mainly from conversion gains and losses of accounts denominated in monetary items of foreign currencies. If there had been an unfavorable 5% movement in the levels of foreign exchanges against NTD at the end of the reporting period (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have decreased by $43,900 thousand and $56,354 thousand for the years ended December 31, 2018 and 2017, respectively.

b) Interest rate risk

The Group issued unsecured corporate bonds and signed facility agreements with banks for locking in medium- and long-term fixed interest rates. In respect of interest payables, the fluctuation of interest rates does not affect the Group significantly.

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

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 4,290,492	$ 7,657,551
Financial liabilities	33,285,029	31,194,752
Cash flow interest rate risk		
Financial assets	3,750,159	1,714,113
Financial liabilities	9,162,674	18,358,279

Sensitivity analysis

The following sensitivity analysis is based on the exposure to interest rate risk of derivative and non-derivative instruments at the end of the reporting period. For floating-rate assets and liabilities, the analysis assumes that the balances of outstanding assets and liabilities at the end of the reporting period have been outstanding for the whole period and that the changes in interest rates are reasonable. If the interest rate had increased by 50 basis points (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have decreased by $27,063 thousand and $83,221 thousand for the years ended December 31, 2018 and 2017, respectively.

c) Other market price risk

The exposure to equity price risk is mainly due to holding of stocks and beneficiary certificates. The Group manages the risk by maintaining portfolios of investments with different risks and by continuously monitoring the future developments and market trends of investment targets.

Sensitivity analysis

If the prices of equity instruments had decreased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), profit would have decreased by $4,074 thousand since the fair value of financial assets at FVTPL decreased for the year ended December 31, 2018; other comprehensive income would have decreased by $250,982 thousand since the fair value of financial assets at FVTOCI decreased for the nine months ended December 31, 2018; and other comprehensive income would have decreased by $274,455 thousand since the fair value of available-for-sale financial assets decreased for the year ended December 31, 2017.

30. RELATED-PARTY TRANSACTIONS

a. Parent company and ultimate controlling party

TWM is the ultimate controlling party of the Group.

b. Related party name and nature of relationship

Related Party	Nature of Relationship
GHS	Associates
TPE	Associates
kbro Media	Associates
TVD Shopping	Associates
ADT	Associates
Beijing Global JiuSha Media Technology Co., Ltd.	Associates (subsidiary of GHS)
Beijing YueShih JiuSha Media Technology Co., Ltd.	Associates (subsidiary of GHS)
Beijing Global Zhiqun Trading Co., Ltd.	Associates (subsidiary of GHS)
Beijing Pelican Express Co., Ltd.	Associates (subsidiary of TPE)
Good Image Co., Ltd.	Associates (subsidiary of kbro Media)
Fubon Life Insurance Co., Ltd. (Fubon Life)	Other related parties
Fubon Insurance Co., Ltd. (Fubon Ins.)	Other related parties
Fubon Securities Investment Trust Co., Ltd. (FSIT)	Other related parties
Fubon Sports & Entertainment Co., Ltd.	Other related parties
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Other related parties
Fubon Financial Holding Co., Ltd.	Other related parties
Fubon Life Insurance (HK) Ltd.	Other related parties
Fubon Securities Co., Ltd.	Other related parties
Fubon Futures Co., Ltd.	Other related parties
Fubon Investment Services Co., Ltd.	Other related parties
Fubon Securities Equity Investment Co., Ltd.	Other related parties
Fubon Marketing Co., Ltd.	Other related parties
Fu-Sheng Life Insurance Agency Co., Ltd.	Other related parties
Fu-Sheng General Insurance Agency Co., Ltd.	Other related parties
Fubon Financial Venture Capital Co., Ltd.	Other related parties
Fubon Gymnasium Co., Ltd.	Other related parties
Fubon Asset Management Co., Ltd.	Other related parties
One Production Film Co., Ltd.	Other related parties
Fubon Bank (China) Co., Ltd.	Other related parties
Fubon Land Development Co., Ltd.	Other related parties
Fubon Property Management Co., Ltd.	Other related parties
Fubon Real Estate Management Co., Ltd.	Other related parties
Fubon Hospitality Management Co., Ltd. (FHM)	Other related parties
Chung Hsing Constructions Co., Ltd.	Other related parties
Ming Dong Co., Ltd.	Other related parties
Fu Yi Health Management Co. Ltd. (FYHM)	Other related parties
Dao Ying Co., Ltd.	Other related parties
Fubon Xinji Investment Co., Ltd.	Other related parties
Mitchiller Media Co., Ltd.	Other related parties
Dai-Ka Ltd.	Other related parties
Taiwan Mobile Foundation (TMF)	Other related parties
Taipei New Horizon Foundation (TNHF)	Other related parties
Fubon Cultural & Educational Foundation	Other related parties
Fubon Charity Foundation	Other related parties
Fubon Art Foundation	Other related parties
Taipei Fubon Bank Charity Foundation	Other related parties
Taipei New Horizon Management Agency	Other related parties

c. Significant transactions with related parties

1) Operating revenue

	For the Year Ended December 31	
	2018	2017
Associates	$ 76,963	$ 49,319
Other related parties	859,838	852,090
	$ 936,801	$ 901,409

The Group renders telecommunications, sales, maintenance and lease services, etc., to the related parties. The transaction terms with related parties were not significantly different from those with third parties.

2) Purchases

	For the Year Ended December 31	
	2018	2017
Associates	$ 409,648	$ 404,277
Other related parties	867,501	795,536
	$ 1,277,149	$ 1,199,813

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

3) Receivables due from related parties

		December 31	
Account	Related Party Categories	2018	2017
Accounts receivable	Associates	$ 11,249	$ 7,405
Accounts receivable	Other related parties	126,709	99,070
		$ 137,958	$ 106,475
Other receivables	Associates	$ 113,187	$ 123,781
Other receivables	Other related parties	59,108	74,100
		$ 172,295	$ 197,881

Receivables from related parties above were not secured with collateral, and no provisions for impairment loss were accrued.

4) Payables due to related parties

Account	Related Party Categories	December 31 2018	December 31 2017
Accounts payable	Associates	$ 91,266	$ 502
Accounts payable	Other related parties	88,322	129,130
		$ 179,588	$ 129,632
Other payables	Associates	$ 152	$ 95,714
Other payables	Other related parties	60,216	67,680
		$ 60,368	$ 163,394

5) Prepayments

	December 31 2018	December 31 2017
Other related parties		
Fubon Ins.	$ 15,467	$ 56,138

6) Bank deposits, time deposits and other financial assets

	December 31 2018	December 31 2017
Other related parties		
TFCB	$ 1,284,174	$ 1,185,528
Others	23,001	8,530
	$ 1,307,175	$ 1,194,058

7) Cash equivalents

The Group purchased government bonds with repurchase rights from TFCB amounting to $1,670,129 thousand for the year ended December 31, 2018.

The Group sold the government bonds with repurchase rights, with the purchased amount of $1,524,116 thousand, to TFCB for $1,524,181 thousand, and recognized $65 thousand as interest income for the year ended December 31, 2018.

8) Financial assets at FVTPL - current

The Group sold the beneficiary certificates, with the purchased amount of $100,000 thousand, to FSIT for $88,184 thousand for the year ended December 31, 2018. The cumulative losses were $11,816 thousand, and the Group recognized $2,249 thousand as loss for the year ended December 31, 2018.

9) Available-for-sale financial assets - current

The Group purchased beneficiary certificates from FSIT amounting to $120,000 thousand for the year ended December 31, 2017.

The Group sold the beneficiary certificates to FSIT for $120,012 thousand, resulting in a disposal gain of $12 thousand for the year ended December 31, 2017.

10) Others

	December 31	
	2018	2017
Guarantee deposits		
Other related parties	$ 51,548	$ 48,459
Other current liabilities - receipts under custody		
Other related parties	$ 69,057	$ -

	For the Year Ended December 31	
	2018	2017
Operating expenses		
Other related parties		
TMF	$ 14,420	$ 15,000
TNHF	5,000	5,000
Fubon Life	155,416	151,794
TFCB	250,111	271,397
Others	175,022	153,419
	$ 599,969	$ 596,610
Non-operating income		
Other related party		
FYHM	$ -	$ 15,403

The above operating expenses and non-operating income include rental expenses and rental income. The leases are conducted by referring to general market prices, and rental is paid and collected on a monthly or bimonthly basis.

d. Key management compensation

The amounts of remuneration of directors and key executives were as follows:

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 300,741	$ 309,860
Termination and post-employment benefits	9,583	22,054
	$ 310,324	$ 331,914

31. ASSETS PLEDGED

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

	December 31	
	2018	2017
Other current financial assets	$ 160,033	$ 2,552,383
Services concessions	7,148,773	7,327,492
Other non-current financial assets	131,110	128,987
	$ 7,439,916	$ 10,008,862

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	December 31	
	2018	2017
Purchases of property, plant and equipment	$ 806,935	$ 3,683,121
Purchases of cellular phones	$ 1,872,470	$ 3,316,989

b. As of December 31, 2018 and 2017, the amounts of endorsements and guarantees (provided to group entities) were $21,550,000 thousand and $21,618,400 thousand, respectively.

c. In accordance with the NCC's policy and regulations, TWM entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid cards and electronic gift certificates, totaling $534,147 thousand and $15,939 thousand, respectively, as of December 31, 2018.

   In accordance with the NCC's policy and regulations, cable television companies should provide performance bonds based on a certain proportion of the advance receipts from their subscribers. As of December 31, 2018, the cable television companies had provided $74,225 thousand as performance bonds, classified as other non-current financial assets.

   In accordance with the Ministry of Economic Affairs' policy and regulations, momo entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid bonuses and electronic tickets totaling $77,398 thousand and $37,066 thousand, respectively, as of December 31, 2018.

   In accordance with the Ministry of Economic Affairs' policy and regulations, TKT entered into a contract with Mega International Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid music cards totaling $1,487 thousand as of December 31, 2018.

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

   1) Construction and operating period:

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

2) Development concession:

The total initial amount of concession was $1,238,095 thousand (tax excluded). According to the supplemental agreement signed in November 2014, the concession will be paid with additional business tax from the signing date of the supplemental agreement; thus, the concession will be increased by $48,750 thousand. The rest of the concession will be paid over 14 years from fiscal year 2015. As of December 31, 2018, $583,375 thousand (tax included) of the concession had been paid.

3) Performance guarantee:

As of December 31, 2018, TNH had provided a $32,500 thousand performance guarantee regarding the BOT contract.

4) Rental of land:

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

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

e. In May 2015, Far EasTone Telecommunications ("FET") filed a request for provisional injunction with the Taipei District Court (the "Court") to prohibit TWM from using a portion of its C1 spectrum block (1715.1-1721.3/1810.1-1816.3 MHz). FET offered a security deposit of $1,048,703 thousand for the Court to bring the requested injunction into effect. The Court granted the request but allowed TWM to provide a counter-security deposit of $927,000 thousand to continue the use of the spectrum block. TWM filed for the counter-security and the use of the C1 spectrum to maintain the status quo, and the counter-security deposit was reclaimed in June 2018. The rights and interests of the subscribers will not be affected. TWM filed a claim in August 2017 to revoke the aforementioned ruling; the revocation was approved by the Taiwan High Court (the "High Court") in January 2018.

Besides, in August 2015, FET filed a civil statement of complaint with the Court, in which FET claims that (i) TWM shall apply for the return the C4 spectrum block (1748.7-1754.9/1843.7-1849.9 MHz) back to the NCC; (ii) TWM shall not use the C4 spectrum block; (iii) TWM shall not use the C1 spectrum block until TWM's application for the return of the C4 spectrum block is approved by the NCC; and (iv) TWM shall provide $1,005,800 thousand to FET as compensation. In May 2016, the Court decided against TWM regarding claims (i), (ii), and (iii) of the lawsuit; and the Court decided against FET regarding claim (iv) of the lawsuit. FET offered a security deposit of $320,630 thousand for the provisional execution of claims (i) to (iv). TWM offered a counter-security deposit of $961,913 thousand in order to be exempted from the provisional execution of claims (i) to (iv). In addition, TWM offered a counter-security deposit for the exemption from provisional execution of the sentence, and the counter-security deposit was reclaimed in March 2018. TWM and FET appealed the aforementioned sentences respectively. The judgment dismissed by the High Court were as follows: (1) TWM "shall apply for the return of the C4 spectrum block to the NCC immediately", "shall not use the C4 spectrum block in any way", and "TWM shall not use the C1 spectrum block before the C4 spectrum block has been returned to and approved by the NCC", and (2) the claim stated in section 2(2) below, in which the corresponding portion of FET's claimed provisional execution and litigation expenses were rejected. 2. (1) For the dismissed portion stated in the above section (1), FET's claim and motion of provisional execution in the first instance were rejected; and (2) for the dismissed portion stated in the above section 1(2), TWM shall pay FET $765,779 thousand, as well as a 5% annual interest payment, for the period starting from September 5, 2015 to the payment date, on $152,584 thousand of the above amount. 3. The rest of FET's appeals were rejected. 4. TWM shall bear half of the litigation expenses in the first and second instances, and FET shall bear the rest. 5. Regarding the portion of the judgment regarding TWM's payment, FET may file a provisional execution with a collateral of $255,260 thousand or a negotiable certificate deposit (NCD) issued by Far Eastern International Bank for the equal amount; and TWM may provide a counter-security of $765,779 thousand to be exempted from the above FET provisional execution. 6. The rest of FET's motions on provisional execution were rejected. TWM and FET appealed the sentence respectively. In addition, FET offered a counter-security deposit for the exemption from provisional execution of the sentence, and obtained $791,867 thousand according to the execution decree in May 2018. The amount was recognized under other current assets by TWM.

FET further filed a provisional injunction in April 2016, in which FET claimed that TWM shall apply for the return of the C4 spectrum block to the NCC immediately and TWM shall not use the C1 and C4 spectrum blocks. The Court declared that after FET has provided a collateral of $143,050 thousand, TWM shall apply for the return of the C4 spectrum block to the NCC, and TWM shall be prohibited from the use of the C4 spectrum block; the remainder of FET’s claims were rejected. TWM may provide a counter-security deposit of $547,119 thousand to be exempted from, or to move for the revocation of, the above FET provisional injunction. TWM provided the counter-security deposit so that TWM would not be required to return the C4 spectrum block and could maintain the status quo of its use of the C4 spectrum block, and the counter-security deposit was reclaimed in March 2018. TWM and FET have filed an appeal against the unfavorable portion of the judgment. After the ruling declared by the High Court, TWM and FET both appealed the judgment to the Supreme Court. The Supreme Court dismissed the aforementioned ruling and remanded the cases to the High Court. The provisional injunction and aforementioned appeal filed by FET were rejected by the High Court after the remand ruling. FET re-appealed to the Supreme Court, and the Supreme Court rejected the re-appeal in January 2018; thus, the rejection of the provisional injunction filed by FET was the final judgment.

33. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On January 31, 2019, the Board of Directors resolved that TWM will purchase mobile broadband equipment from Nokia Solutions and Networks Taiwan Co., Ltd. The total amount of the contract will not exceed $4,682,000 thousand.

34. OTHERS

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

	For the Year Ended December 31					
	2018			2017		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	$ 2,174,076	$ 4,469,891	$ 6,643,967	$ 2,079,506	$ 4,216,796	$ 6,296,302
Insurance expenses	176,526	390,191	566,717	170,257	376,272	546,529
Pension	97,721	207,550	305,271	94,079	200,388	294,467
Others	106,350	266,152	372,502	105,828	260,996	366,824
Depreciation	9,564,028	340,051	9,904,079	9,884,719	385,215	10,269,934
Amortization	3,223,551	3,827,582	7,051,133	2,959,938	435,281	3,395,219

Information of employees’ compensation and remuneration of directors

According to TWM’s Articles, the estimated employees’ compensation and remuneration of directors are set at the rates of 1% to 3% and no higher than 0.3%, respectively, of profit before income tax, employees’ compensation, and remuneration of directors. Estimations for employees’ compensation were made by applying the rates to the aforementioned profit before income tax, for the years ended December 31, 2018 and 2017, respectively.

If there is a change in the approved amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in accounting estimate in the next year.

The employees' compensation and remuneration of directors of 2018 and 2017 shown below were approved by the Board of Directors on January 31, 2019 and February 1, 2018, respectively. The differences with the amounts recognized in the consolidated financial statements have been adjusted in 2019 and 2018, respectively.

	For the Year Ended December 31			
	2018		2017	
	Employees' Compensation Paid in Cash	Remuneration of Directors	Employees' Compensation Paid in Cash	Remuneration of Directors
Amounts approved by the Board of Directors	$ 459,368	$ 45,937	$ 453,359	$ 45,336
Amounts recognized in the consolidated financial statements	$ 432,341	$ 43,234	$ 438,728	$ 43,873

Information on the employees' compensation and remuneration of directors approved by the Board of Directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

35. ADDITIONAL DISCLOSURES

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

1) Financing extended to other parties: Table 1 (attached)

2) Endorsements/guarantees provided to other parties: Table 2 (attached)

3) Marketable securities held: Table 3 (attached) (excluding investments in subsidiaries and associates)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: Table 4 (attached)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

7) Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Table 5 (attached)

8) Receivables from related parties of at least NT$100 million or 20% of the paid-in capital: Table 6 (attached)

9) Names, locations and related information of investees on which TWM exercised significant influence: Table 7 (attached) (excluding information on investment in Mainland China)

10) Trading in derivative instruments: None

11) Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 8 (attached)

c. Information on investment in Mainland China:

1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 9 (attached)

2) Significant direct or indirect transactions with the investee companies, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Tables 2 and 8 (attached)

36. SEGMENT INFORMATION

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

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

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

Cable Television: Providing pay TV and cable broadband services.

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

For the Year Ended December 31, 2018	Telecommunications	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	$ 70,030,527	$ 42,017,012	$ 6,344,906	$ 587,091	$ (247,208)	$118,732,328
Operating costs	42,760,166	37,756,772	3,585,937	344,015	(131,156)	84,315,734
Operating expenses	13,340,946	2,852,538	830,384	58,967	(197,338)	16,885,497
Net other income and expenses	657,267	14,716	775	-	(41,813)	630,945
Profit	14,586,682	1,422,418	1,929,360	184,109	39,473	18,162,042
EBITDA (Note)	26,191,754	1,743,000	3,187,542	396,504	204,338	31,723,138

For the Year Ended December 31, 2017	Telecommunications	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	$ 77,371,810	$ 33,238,547	$ 6,392,485	$ 577,182	$ (408,917)	$117,171,107
Operating costs	48,326,761	29,591,202	3,348,297	353,578	(174,722)	81,445,116
Operating expenses	14,546,447	2,262,449	821,999	51,816	(179,796)	17,502,915
Net other income and expenses	870,301	4,167	25,903	5,786	(36,821)	869,336
Profit	15,368,903	1,389,063	2,248,092	177,574	(91,220)	19,092,412
EBITDA (Note)	27,516,397	1,515,453	3,276,498	390,133	83,417	32,781,898

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

a. Geographical information

The Group's revenues are generated mostly from domestic business. Overseas revenues are primarily generated from international calls and data services.
Consolidated geographic information for revenues was as follows:

	For the Year Ended December 31	
	2018	**2017**
Taiwan, ROC	$ 115,690,423	$ 114,146,991
Overseas	3,041,905	3,024,116
	$ 118,732,328	$ 117,171,107

b. Information on major customers

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING EXTENDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits	Note
													Item	Value			
1	TCC	TWM	Other receivables	Yes	$ 400,000	$ 400,000	$ 390,000	1.09267%-1.09511%	Short-term financing	$ -	Operation requirements	$ -	-	$ -	$ 34,657,299	$ 34,657,299	Note 2
2	WMT	TWM	Other receivables	Yes	3,000,000	3,000,000	2,608,000	1.09267%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	8,178,623	8,178,623	Note 2
		TKT	Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,178,623	8,178,623	Note 2
		TFNM	Other receivables	Yes	3,000,000	2,880,000	1,180,000	1.09311%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	8,178,623	8,178,623	Note 2
		WTVB	Other receivables	Yes	600,000	600,000	325,000	1.09278%-1.09522%	Short-term financing	-	Operation requirements	-	-	-	8,178,623	8,178,623	Note 2
3	TFN	TWM	Other receivables	Yes	9,000,000	9,000,000	6,990,000	1.09267%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	22,544,691	22,544,691	Note 2
4	YJCTV	TFNM	Other receivables	Yes	240,000	140,000	140,000	1.09244%-1.09522%	Transactions	462,943	-	-	-	-	462,943	462,943	Notes 3 and 4
5	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	1.09244%-1.09456%	Transactions	537,792	-	-	-	-	537,792	537,792	Notes 3 and 4
6	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	1.09244%-1.09456%	Short-term financing	-	Repayment of financing	-	-	-	274,660	274,660	Note 3

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

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

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

Note 4: Where funds are loaned for reasons of business dealings, the aggregate amount of loans and the maximum amount permitted to a single borrower shall be prescribed within the aggregate amount of business transactions.

TABLE 2

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

No.	Company Providing Endorsements/ Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts (Note 1)	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor (Note 1)	Maximum Endorsements/ Guarantees Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	TWM	TFN	Note 2	$ 42,000,000	$ 21,500,000	$ 21,500,000	$ 8,501,350	$ -	34.74	$ 61,881,520	Y	N	N	Notes 3 and 4
		TKT	Note 2	259,800	50,000	50,000	50,000	-	0.08	61,881,520	Y	N	N	Note 3
1	momo	FGE	Note 2	829,548	66,960	-	-	-	-	6,150,503	N	N	Y	Note 5

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

Note 2: Direct/indirect subsidiary.

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

Note 4: Including US$65,000 thousand.

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

TABLE 3

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)
DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2018				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership %	Fair Value	
TWM	Stock							
	Chunghwa Telecom Co., Ltd.	-	Current financial assets at FVTOCI	2,174	$ 245,607	0.028	$ 245,607	
	Asia Pacific Telecom Co., Ltd.	-	Non-current financial assets at FVTOCI	148,255	1,022,960	3.45	1,022,960	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at FVTOCI	800	28,387	10	28,387	
	Limited Partnerships							
	Grand Academy Investment, L.P.	-	Non-current financial assets at FVTOCI	-	603,700	21.67	603,700	Note 1
	Starview Heights Investment, L.P.	-	Non-current financial assets at FVTOCI	-	171,685	21.67	171,685	Note 1
TCC	Stock							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at FVTOCI	6,998	101,683	5.21	101,683	
TFN	Stock							
	Taiwan High Speed Rail Corporation	-	Non-current financial assets at FVTOCI	90,212	2,755,989	1.6	2,755,989	
TCCI	Stock							
	TWM	TWM	Non-current financial assets at FVTOCI	200,497	21,352,905	5.86	21,352,905	
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at FVTOCI	10,000	36,915	6.67	36,915	
TUI	Stock							
	TWM	TWM	Non-current financial assets at FVTOCI	410,665	43,735,853	11.99	43,735,853	
TID	Stock							
	TWM	TWM	Non-current financial assets at FVTOCI	87,590	9,328,288	2.56	9,328,288	
TFNM	Beneficiary Certificates							
	Dragon Tiger Capital Partners Limited - Class B	-	Non-current financial assets at FVTOCI	0.2	-	0.33	-	
	Dragon Tiger Capital Partners Limited - Class C	-	Non-current financial assets at FVTOCI	0.0335	-	0.056	-	

(Continued)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2018				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership %	Fair Value	
momo	<u>Beneficiary Certificates</u>							
	Fubon Strategic High Income Fund B	Other related party	Current financial assets at FVTPL	9,151	$ 81,474	-	$ 81,474	
	<u>Stock</u>							
	Media Asia Group Holdings Limited	-	Current financial assets at FVTOCI	43,668	10,125	2.04	10,125	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at FVTOCI	2,400	42,580	7.73	42,580	

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

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

(Concluded)

TABLE 4

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
momo	Warehousing logistics construction	November 9, 2015	$ 1,728,552 (Note)	Paid. (including $193,435 thousand paid in current period)	Li Jin Engineering Co., Ltd.	-	-	-	-	$ -	Budget commitments had been approved by the board of directors, and determined by price comparison and price negotiation.	Business development needs	None

Note 1: The transaction amount increased by $3,143 thousand to the total amount of $1,728,552 thousand in current period.

TABLE 5

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
TWM	TFN	Subsidiary	Sale	$ 453,293	1	Based on contract terms	-	-	$ 19,572	-	Note 1
			Purchase	4,825,077	(Note 2)	Based on contract terms	-	-	(467,393)	(Note 3)	Note 1
	TT&T	Subsidiary	Purchase	1,047,348	(Note 2)	Based on contract terms	-	-	(89,101)	(Note 3)	
	TKT	Subsidiary	Purchase	331,380	(Note 2)	Based on contract terms	-	-	(76,858)	(Note 3)	
	TDS	Subsidiary	Purchase	213,856	(Note 2)	Based on contract terms	-	-	(22,103)	(Note 3)	
	TNH	Subsidiary	Purchase	120,902	(Note 2)	Based on contract terms	-	-	(1,283)	(Note 3)	
	Fubon Ins.	Other related party	Sale	374,535	1	Based on contract terms	-	-	60,637	1	
			Purchase	561,855	1	Based on contract terms	-	-	(50,962)	4	
TNH	TWM	Parent	Sale	123,442	21	Based on contract terms	-	-	1,283	11	
TFN	TWM	Ultimate parent	Sale	4,825,077	48	Based on contract terms	-	-	467,393	39	Note 1
			Purchase	453,293	(Note 2)	Based on contract terms	-	-	(19,572)	(Note 3)	Note 1
	TT&T	Fellow subsidiary	Purchase	109,723	(Note 2)	Based on contract terms	-	-	(8,638)	(Note 3)	
	TFNM	Fellow subsidiary	Sale	148,803	1	Based on contract terms	-	-	24,616	2	
	Fubon Life	Other related party	Sale	133,300	1	Based on contract terms	-	-	13,663	1	
TT&T	TWM	Ultimate parent	Sale	1,047,348	90	Based on contract terms	-	-	89,101	91	
	TFN	Fellow subsidiary	Sale	109,723	9	Based on contract terms	-	-	8,638	9	
TKT	TWM	Ultimate parent	Sale	331,380	92	Based on contract terms	-	-	76,858	100	
TDS	TWM	Ultimate parent	Sale	213,856	92	Based on contract terms	-	-	22,013	96	
TFNM	TFN	Fellow subsidiary	Purchase	152,457	(Note 2)	Based on contract terms	-	-	(24,616)	(Note 3)	
	YJCTV	Subsidiary	Channel leasing fee	425,366	13	Based on contract terms	Note 4	Note 4	-	-	
	PCTV	Subsidiary	Channel leasing fee	496,337	15	Based on contract terms	Note 4	Note 4	-	-	
	UCTV	Subsidiary	Channel leasing fee	224,932	7	Based on contract terms	Note 4	Note 4	-	-	
	GCTV	Subsidiary	Channel leasing fee	189,930	6	Based on contract terms	Note 4	Note 4	-	-	
YJCTV	TFNM	Parent	Royalty for copyright	425,366	50	Based on contract terms	Note 4	Note 4	-	-	
PCTV	TFNM	Parent	Royalty for copyright	496,337	51	Based on contract terms	Note 4	Note 4	-	-	
UCTV	TFNM	Parent	Royalty for copyright	224,932	37	Based on contract terms	Note 4	Note 4	-	-	
GCTV	TFNM	Parent	Royalty for copyright	189,930	49	Based on contract terms	Note 4	Note 4	-	-	
MCTV	Dai-Ka Ltd.	Other related party	Royalty for copyright	157,827	43	Based on contract terms	Note 4	Note 4	(52,609)	89	
momo	TPE	Associate	Purchase	406,755	1	Based on contract terms	-	-	(91,167)	2	

Note 1: Accounts receivable (payable) was the net amount after being offset.

Note 2: Including operating costs and operating expenses.

Note 3: Including accounts payable and other payables.

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

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, 2018

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Action Taken		
TCC	TWM	Parent	Other receivables	$ 391,802		$ -	-	$ (1,802)	$ -
WMT	TWM	Parent	Other receivables	2,617,618		-	-	(38,077)	-
	TFNM	Subsidiary	Other receivables	1,182,442		-	-	-	-
	WTVB	Subsidiary	Other receivables	326,391		-	-	(1,084)	-
TFN	TWM	Ultimate parent	Accounts receivable	467,393	10.53	-	-	391,656	-
			Other receivables	7,089,695		-	-	61,522	-
YJCTV	TFNM	Parent	Accounts receivable	4,807	7.28	-	-	-	-
			Other receivables	140,202		-	-	-	-
PCTV	TFNM	Parent	Accounts receivable	5,139	6.99	-	-	-	-
			Other receivables	522,093		-	-	-	-
GCTV	TFNM	Parent	Accounts receivable	2,257	7.20	-	-	-	-
			Other receivables	250,010		-	-	-	-
momo	TPE	Associate	Accounts receivable	2,059	4.91	-	-	1,291	-
			Other receivables	112,956		-	-	112,956	-

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA) FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2018	December 31, 2017	Shares (Thousands)	Percentage of Ownership %	Carrying Value			
TWM	TCC	Taiwan	Investment	$ 40,397,288	$ 40,397,288	502,970	100	$ 19,736,769	$ 3,584,025	$ 3,579,668	Note 1
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	20,446,559	2,082,254	2,082,254	
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,772,825	102,109	50,952	
	ADT	Taiwan	Technology development of mobile payment and information processing services	60,000	60,000	6,000	14.4	8,636	(66,405)	(5,815)	
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	56,362,690	3,465,946	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	78,163	50,981	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	256,047	9,348	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	29,189,104	11,317	-	Note 2
	TDC	Taiwan	Mobile phone wholesaling and TV program production	112,000	112,000	11,200	100	115,816	250	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	25,000	2,500	100	109,853	15,461	-	Note 2
	TPIAC	Taiwan	Property insurance agent	5,000	5,000	500	100	27,914	22,972	-	Note 2
	TFC	Taiwan	Type II telecommunications business	5,000	-	500	100	4,409	(591)	-	Note 2
WMT	TFNM	Taiwan	Type II telecommunications business	5,210,443	5,210,443	230,921	100	6,553,427	1,449,737	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	16,879	(403)	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	96,410	2,636	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	332,792	77,655	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,318,968	1,449,640	-	Notes 2 and 4
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	38,298,647	(77)	-	Note 2
	TFN HK Ltd.	Hong Kong	Telecommunications service provider	2,925	2,925	1,300	100	8,228	(243)	-	Note 2
TT&T	TT&T Holdings	Samoa	Investment	-	36,284	-	-	-	(279)	-	Notes 2 and 5
TCCI	TID	Taiwan	Investment	3,602,782	3,602,782	104,712	100	8,174,055	(106)	-	Note 2
TFNM	TKT	Taiwan	Digital music service	129,900	129,900	12,000	100	225,842	21,765	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	1,915,527	(162,988)	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	630,460	54,149	-	Notes 2 and 6
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,355,185	74,195	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	1,971,165	(34,648)	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,256,853	40,993	-	Note 2
	kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	154,847	(53,875)	-	Note 2
GFMT	UCTV	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	15,154	(34,648)	-	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	94,913	40,993	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2018	December 31, 2017	Shares (Thousands)	Percentage of Ownership %	Carrying Value			
momo	Asian Crown (BVI)	British Virgin Islands	Investment	$ 885,285	$ 789,864	9,735	81.99	$ 41,494	$ (14,417)	$ -	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	794,501	36,435	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	9,310	238	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	10,969	2,045	-	Note 2
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	48,535	10,243	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	385,706	69,392	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	115,099	115,099	24,150	35	119,889	26,220	-	Note 2
	Bebe Poshe	Taiwan	Wholesale of cosmetics	85,000	-	8,500	85	82,726	(21,969)	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,035,051	11,594	100	46,105	(14,566)	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,035,051	11,594	100	46,105	(14,566)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	794,501	36,435	-	Note 2

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

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

Note 3: Held 1 share on December 31, 2018.

Note 4: Non-controlling interests.

Note 5: TT&T Holdings was dissolved in February 2018.

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

Note 7: For information on investment in Mainland China, see Table 9 for details.

(Concluded)

TABLE 8

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Number	Company Name	Counter Party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	TWM	TFN	1	Accounts and notes receivable, net	$ 19,572	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIAC	1	Accounts and notes receivable, net	30,335	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other receivables	30,265	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Other receivables	40,051	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Other non-current assets	18,840	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Short-term borrowings	6,990,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	5%
		WMT	1	Short-term borrowings	2,608,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	2%
		TCC	1	Short-term borrowings	390,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Accounts and notes payable	70,261	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TKT	1	Accounts and notes payable	76,334	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Accounts and notes payable	16,006	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Accounts and notes payable	10,881	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other payables	462,811	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Other payables	89,101	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other current liabilities	34,016	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Other current liabilities	12,977	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TKT	1	Disposal of plant, property and equipment	11,094	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating revenues	453,293	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIAC	1	Operating revenues	53,169	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Operating revenues	64,272	The terms of transaction are determined in accordance with mutual agreements or general business practices	-

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	TWM	TFN	1	Operating costs	$ 4,779,618	The terms of transaction are determined in accordance with mutual agreements or general business practices	4%
		TKT	1	Operating costs	330,748	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Operating costs	213,856	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Operating costs	31,575	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Operating costs	26,546	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Operating expenses	1,047,348	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TNH	1	Operating expenses	89,327	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating expenses	46,069	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TCCI	1	Operating expenses	14,205	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Net other income and expenses	34,629	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Other income	45,284	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Finance costs	73,340	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WMT	1	Finance costs	22,643	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
1	WMT	TFNM	1	Other receivables	1,182,442	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		WTVB	1	Other receivables	326,391	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Other income	19,090	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
2	momo	FGE	1	Accounts and notes receivable, net	18,323	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	3	Acquisition of property, plant and equipment	23,403	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		FGE	1	Operating revenues	19,513	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating costs	64,241	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
3	TFN	TFNM	3	Accounts and notes receivable, net	24,616	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating revenues	148,803	The terms of transaction are determined in accordance with mutual agreements or general business practices	-

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
3	TFN	momo	3	Operating revenues	$ 56,081	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	3	Operating expenses	109,723	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
4	TFNM	PCTV	1	Other receivables	37,347	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Other receivables	34,772	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Other receivables	24,348	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Other receivables	19,896	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		MCTV	1	Other receivables	14,632	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Short-term borrowings	520,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Short-term borrowings	140,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Short-term borrowings	250,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Accounts and notes payable	69,997	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating revenues	538,177	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating revenues	462,943	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating revenues	224,932	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Operating revenues	206,696	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		MCTV	1	Operating revenues	19,650	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating costs	34,677	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating costs	31,400	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating costs	22,717	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Operating costs	14,745	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Operating costs	66,664	The terms of transaction are determined in accordance with mutual agreements or general business practices	-

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

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

(Concluded)

TABLE 9

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
					Outflow	Inflow							
Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis and development of CRM application and information consulting services	$ -	b	$ 40,027 (USD 1,300)	$ -	$ 40,027 (USD 1,300)	$ -	$ -	-	$ -	$ -	$ 9,764 (USD 317)	Note 2
TWMC	Mobile application development and design	92,370 (USD 3,000)	b	150,006 (USD 4,872)	-	-	150,006 (USD 4,872)	1,207	100	1,207	105,667	-	
FGE	Wholesaling	345,960 (RMB 77,500)	b	742,384 (USD 14,000) (RMB 69,741)	87,164 (RMB 19,526)	-	829,548 (USD 14,000) (RMB 89,267)	(16,135)	76.7	(11,480)	30,821	-	Note 3
Haobo	Investment	49,104 (RMB 11,000)	b	-	-	-	-	36,435	100	36,435	794,501	-	
GHS	Wholesaling	223,200 (RMB 50,000)	b	-	-	-	-	277,940	20	37,226	766,529	-	

Company	Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
TWM and subsidiaries	$1,641,912 (USD18,872, RMB89,267 and HKD168,539)	$1,641,912 (USD18,872, RMB89,267 and HKD168,539)	$40,796,218

Note 1: The investment types are as follows:

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

Note 2: Xiamen Taifu Teleservices & Technologies Co., Ltd. was dissolved in November 2013 and the capital was remitted to the parent company, TT&T Holdings. TT&T Holdings was dissolved in February 2018 and the capital was remitted to the parent company, TT&T. Investment Commission, MOEA approved the revocation of limited amount in March 2018.

Note 3: The extraordinary stockholders' meeting of FGE resolved to increase capital by RMB20,000 thousand in May 2018, and HK Fubon Multimedia completed the full subscription in August 2018.

Note 4: The amounts are based on audited financial statements.