

Taiwan Mobile Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2016 and 2015 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Taiwan Mobile Co., Ltd. and subsidiaries (the "Group") as of June 30, 2016 and 2015, and the related consolidated statements of comprehensive income for the three months and the six months ended June 30, 2016 and 2015, and statements of changes in equity and cash flows for the six months ended June 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Taiwan, the Republic of China ("ROC") Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements". A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the ROC and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the consolidated financial statements referred to above are not prepared, in all material respects, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the ROC Financial Supervisory Commission.

Deloitte & Touche

July 27, 2016

Notice to Readers

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)		June 30, 2015 (Reviewed)		LIABILITIES AND EQUITY	June 30, 2016 (Reviewed)		December 31, 2015 (Audited)		June 30, 2015 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Notes 6 and 29)	\$ 7,551,044	5	\$ 8,579,422	5	\$ 8,787,664	6	Short-term borrowings (Note 17)	\$ 9,218,604	6	\$ 14,220,938	9	\$ 12,650,000	8
Available-for-sale financial assets (Note 7)	1,270,365	1	1,028,132	1	1,202,977	1	Short-term notes and bills payable (Note 17)	2,199,018	2	10,793,487	7	7,390,761	5
Held-to-maturity financial assets	-	-	-	-	6	-	Accounts and notes payable	6,242,190	4	6,410,405	4	6,132,713	4
Debt instrument investment without active market	-	-	-	-	500,000	-	Accounts payable due to related parties (Note 29)	125,131	-	91,486	-	78,049	-
Accounts and notes receivable, net (Note 8)	15,901,056	10	15,640,120	10	15,230,871	10	Dividends payable (Note 21)	15,243,655	10	-	-	15,243,655	10
Accounts receivable due from related parties (Note 29)	66,116	-	62,103	-	45,642	-	Other payables (Note 29)	10,332,590	7	11,273,991	7	11,494,165	7
Other receivables (Note 29)	1,100,642	1	1,178,226	1	1,043,530	1	Current tax liabilities	1,931,656	1	1,876,908	1	1,348,042	1
Inventories (Note 9)	2,854,810	2	4,188,213	3	2,922,435	2	Provisions (Note 19)	198,593	-	166,217	-	231,420	-
Prepayments (Note 29)	634,359	-	439,628	-	598,767	-	Advance receipts	2,463,265	2	2,288,795	2	2,144,694	1
Assets held for sale	22,989	-	-	-	-	-	Long-term liabilities, current portion (Notes 17, 18 and 29)	6,252,520	4	10,267,891	7	11,208,218	7
Other financial assets (Notes 29 and 30)	3,277,484	2	3,003,099	2	1,773,111	1	Other current liabilities	1,963,616	1	1,842,100	1	1,586,431	1
Other current assets	42,510	-	39,846	-	45,794	-							
Total current assets	32,721,375	21	34,158,789	22	32,150,797	21	Total current liabilities	56,170,838	37	59,232,218	38	69,508,148	44
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets at fair value through profit or loss	101,083	-	158,322	-	208,051	-	Bonds payable (Note 18)	11,897,133	8	14,795,938	9	14,795,116	10
Available-for-sale financial assets (Note 7)	2,958,459	2	2,664,478	2	2,907,379	2	Long-term borrowings (Notes 17 and 29)	21,623,581	14	11,682,472	7	8,648,218	5
Financial assets at cost	192,700	-	192,700	-	192,652	-	Provisions (Note 19)	1,266,992	1	1,231,244	1	1,064,679	1
Debt instrument investment without active market	386,896	-	359,062	-	323,940	-	Deferred tax liabilities	1,699,091	1	2,014,310	1	2,816,496	2
Investments accounted for using equity method (Note 10)	1,572,094	1	1,584,362	1	1,546,612	1	Net defined benefit liabilities	263,896	-	274,636	-	125,467	-
Property, plant and equipment (Notes 13 and 30)	46,404,425	31	47,247,121	30	48,054,585	31	Guarantee deposits	818,842	1	797,787	1	794,318	1
Investment properties, net (Note 14)	351,797	-	330,165	-	304,763	-	Other non-current liabilities	711,582	-	765,344	1	777,283	-
Concessions (Notes 15 and 30)	39,170,151	26	40,445,341	26	41,707,082	26							
Goodwill (Note 15)	15,845,930	10	15,845,930	10	15,845,930	10	Total non-current liabilities	38,281,117	25	31,561,731	20	29,021,577	19
Other intangible assets, net (Note 15)	6,055,659	4	6,111,153	4	6,167,772	4	Total liabilities	94,451,955	62	90,793,949	58	98,529,725	63
Deferred tax assets	744,059	1	811,782	1	796,474	1	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Note 21)						
Other financial assets (Notes 29, 30 and 31)	120,089	-	109,366	-	111,223	-	Common stock	34,208,328	22	34,208,328	22	34,208,328	22
Other non-current assets (Notes 16 and 29)	5,847,644	4	6,067,102	4	6,190,620	4	Capital surplus	14,586,376	9	14,586,376	9	14,715,830	9
Total non-current assets	119,750,986	79	121,926,884	78	124,357,083	79	Retained earnings						
							Legal reserve	24,606,828	16	23,038,209	15	23,038,209	15
							Special reserve	1,173,954	1	302,986	-	302,986	-
							Unappropriated earnings	8,519,113	6	18,311,104	12	10,518,866	7
							Other equity interests	(854,251)	(1)	(1,173,954)	(1)	(883,827)	(1)
							Treasury shares	(29,717,344)	(19)	(29,717,344)	(19)	(29,717,344)	(19)
							Total equity attributable to owners of parent	52,523,004	34	59,555,705	38	52,183,048	33
							NON-CONTROLLING INTERESTS (Note 21)	5,497,402	4	5,736,019	4	5,795,107	4
							Total equity	58,020,406	38	65,291,724	42	57,978,155	37
TOTAL	\$ 152,472,361	100	\$ 156,085,673	100	\$ 156,507,880	100	TOTAL	\$ 152,472,361	100	\$ 156,085,673	100	\$ 156,507,880	100

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 22 and 29)	\$ 28,442,029	100	\$ 28,326,891	100	\$ 57,640,926	100	\$ 58,044,461	100
OPERATING COSTS (Notes 9, 29 and 34)	<u>18,806,554</u>	<u>66</u>	<u>19,056,207</u>	<u>67</u>	<u>38,488,272</u>	<u>67</u>	<u>40,035,903</u>	<u>69</u>
GROSS PROFIT FROM OPERATIONS	<u>9,635,475</u>	<u>34</u>	<u>9,270,684</u>	<u>33</u>	<u>19,152,654</u>	<u>33</u>	<u>18,008,558</u>	<u>31</u>
OPERATING EXPENSES (Notes 29 and 34)								
Marketing	3,180,557	11	3,134,489	11	6,498,539	11	6,348,153	11
Administrative	<u>1,296,196</u>	<u>5</u>	<u>1,219,035</u>	<u>5</u>	<u>2,616,943</u>	<u>4</u>	<u>2,452,775</u>	<u>4</u>
Total operating expenses	<u>4,476,753</u>	<u>16</u>	<u>4,353,524</u>	<u>16</u>	<u>9,115,482</u>	<u>15</u>	<u>8,800,928</u>	<u>15</u>
NET OTHER INCOME AND EXPENSES	<u>81,364</u>	<u>-</u>	<u>30,915</u>	<u>-</u>	<u>207,465</u>	<u>1</u>	<u>81,164</u>	<u>-</u>
OPERATING INCOME	<u>5,240,086</u>	<u>18</u>	<u>4,948,075</u>	<u>17</u>	<u>10,244,637</u>	<u>18</u>	<u>9,288,794</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 23 and 29)	83,820	-	57,540	-	140,657	-	96,371	-
Other gains and losses, net (Notes 23 and 29)	(58,226)	-	(18,390)	-	(188,658)	-	(82,537)	-
Finance costs (Note 23)	(157,270)	-	(172,238)	-	(335,511)	(1)	(342,764)	(1)
Share of profit (loss) of associates accounted for using equity method	<u>8,427</u>	<u>-</u>	<u>15,695</u>	<u>-</u>	<u>25,090</u>	<u>-</u>	<u>17,164</u>	<u>-</u>
Total non-operating income and expenses	<u>(123,249)</u>	<u>-</u>	<u>(117,393)</u>	<u>-</u>	<u>(358,422)</u>	<u>(1)</u>	<u>(311,766)</u>	<u>(1)</u>
PROFIT BEFORE TAX	5,116,837	18	4,830,682	17	9,886,215	17	8,977,028	15
INCOME TAX EXPENSE (Note 24)	<u>857,720</u>	<u>3</u>	<u>762,647</u>	<u>3</u>	<u>1,685,615</u>	<u>3</u>	<u>973,959</u>	<u>1</u>
PROFIT	<u>4,259,117</u>	<u>15</u>	<u>4,068,035</u>	<u>14</u>	<u>8,200,600</u>	<u>14</u>	<u>8,003,069</u>	<u>14</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translation	(2,324)	-	(8,764)	-	(1,815)	-	(14,117)	-
Unrealized gains (losses) on available-for-sale financial assets	(90,118)	-	(301,565)	(1)	336,214	1	(583,565)	(1)
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>(23,135)</u>	<u>-</u>	<u>4,599</u>	<u>-</u>	<u>(22,711)</u>	<u>-</u>	<u>(13,326)</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>(115,577)</u>	<u>-</u>	<u>(305,730)</u>	<u>(1)</u>	<u>311,688</u>	<u>1</u>	<u>(611,008)</u>	<u>(1)</u>
COMPREHENSIVE INCOME	<u>\$ 4,143,540</u>	<u>15</u>	<u>\$ 3,762,305</u>	<u>13</u>	<u>\$ 8,512,288</u>	<u>15</u>	<u>\$ 7,392,061</u>	<u>13</u>
PROFIT ATTRIBUTABLE TO:								
Owners of parent	\$ 4,118,189	14	\$ 3,947,422	14	\$ 7,891,312	13	\$ 7,760,109	14
Non-controlling interests	<u>140,928</u>	<u>1</u>	<u>120,613</u>	<u>-</u>	<u>309,288</u>	<u>1</u>	<u>242,960</u>	<u>-</u>
	<u>\$ 4,259,117</u>	<u>15</u>	<u>\$ 4,068,035</u>	<u>14</u>	<u>\$ 8,200,600</u>	<u>14</u>	<u>\$ 8,003,069</u>	<u>14</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of parent	\$ 4,006,039	14	\$ 3,655,069	13	\$ 8,211,015	14	\$ 7,179,268	13
Non-controlling interests	<u>137,501</u>	<u>1</u>	<u>107,236</u>	<u>-</u>	<u>301,273</u>	<u>1</u>	<u>212,793</u>	<u>-</u>
	<u>\$ 4,143,540</u>	<u>15</u>	<u>\$ 3,762,305</u>	<u>13</u>	<u>\$ 8,512,288</u>	<u>15</u>	<u>\$ 7,392,061</u>	<u>13</u>
EARNINGS PER SHARE (Note 25)								
Basic earnings per share	<u>\$ 1.51</u>		<u>\$ 1.45</u>		<u>\$ 2.90</u>		<u>\$ 2.85</u>	
Diluted earnings per share	<u>\$ 1.51</u>		<u>\$ 1.45</u>		<u>\$ 2.89</u>		<u>\$ 2.85</u>	

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of Parent					Other Equity Interests		Treasury Shares	Total	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
			Legal Reserve	Special Reserve							
BALANCE, JANUARY 1, 2015	\$ 34,208,328	\$ 14,715,830	\$ 21,537,666	\$ -	\$ 19,805,941	\$ 31,294	\$ (334,280)	\$(29,717,344)	\$ 60,247,435	\$ 6,252,897	\$ 66,500,332
Distribution of 2014 earnings											
Legal reserve	-	-	1,500,543	-	(1,500,543)	-	-	-	-	-	-
Special reserve	-	-	-	302,986	(302,986)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(15,243,655)	-	-	-	(15,243,655)	-	(15,243,655)
Total distribution of earnings	-	-	1,500,543	302,986	(17,047,184)	-	-	-	(15,243,655)	-	(15,243,655)
Profit for the six months ended June 30, 2015	-	-	-	-	7,760,109	-	-	-	7,760,109	242,960	8,003,069
Other comprehensive income for the six months ended June 30, 2015	-	-	-	-	-	(6,698)	(574,143)	-	(580,841)	(30,167)	(611,008)
Total comprehensive income for the six months ended June 30, 2015	-	-	-	-	7,760,109	(6,698)	(574,143)	-	7,179,268	212,793	7,392,061
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(670,583)	(670,583)
BALANCE, JUNE 30, 2015	<u>\$ 34,208,328</u>	<u>\$ 14,715,830</u>	<u>\$ 23,038,209</u>	<u>\$ 302,986</u>	<u>\$ 10,518,866</u>	<u>\$ 24,596</u>	<u>\$ (908,423)</u>	<u>\$(29,717,344)</u>	<u>\$ 52,183,048</u>	<u>\$ 5,795,107</u>	<u>\$ 57,978,155</u>
BALANCE, JANUARY 1, 2016	\$ 34,208,328	\$ 14,586,376	\$ 23,038,209	\$ 302,986	\$ 18,311,104	\$ 22,386	\$ (1,196,340)	\$(29,717,344)	\$ 59,555,705	\$ 5,736,019	\$ 65,291,724
Distribution of 2015 earnings											
Legal reserve	-	-	1,568,619	-	(1,568,619)	-	-	-	-	-	-
Special reserve	-	-	-	870,968	(870,968)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(15,243,655)	-	-	-	(15,243,655)	-	(15,243,655)
Total distribution of earnings	-	-	1,568,619	870,968	(17,683,242)	-	-	-	(15,243,655)	-	(15,243,655)
Profit for the six months ended June 30, 2016	-	-	-	-	7,891,312	-	-	-	7,891,312	309,288	8,200,600
Other comprehensive income for the six months ended June 30, 2016	-	-	-	-	-	(11,181)	330,884	-	319,703	(8,015)	311,688
Total comprehensive income for the six months ended June 30, 2016	-	-	-	-	7,891,312	(11,181)	330,884	-	8,211,015	301,273	8,512,288
Changes in equity of associates accounted for using equity method	-	-	-	-	(61)	-	-	-	(61)	(75)	(136)
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(539,625)	(539,625)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(190)	(190)
BALANCE, JUNE 30, 2016	<u>\$ 34,208,328</u>	<u>\$ 14,586,376</u>	<u>\$ 24,606,828</u>	<u>\$ 1,173,954</u>	<u>\$ 8,519,113</u>	<u>\$ 11,205</u>	<u>\$ (865,456)</u>	<u>\$(29,717,344)</u>	<u>\$ 52,523,004</u>	<u>\$ 5,497,402</u>	<u>\$ 58,020,406</u>

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 9,886,215	\$ 8,977,028
Adjustments		
Depreciation expense	5,317,177	5,257,104
Amortization expense	1,579,697	1,360,949
Loss on disposal of property, plant and equipment, net	93,483	62,900
Provision for bad debt expense	189,503	177,251
Finance costs	335,511	342,764
Interest income	(82,659)	(66,776)
Dividend income	(9,608)	(10,658)
Share of profit of associates accounted for using equity method	(25,090)	(17,164)
Valuation loss (gain) on financial assets at fair value through profit or loss	54,485	(8,268)
Gain on disposal of investments	-	(2,660)
Others	11,385	(2,001)
Changes in operating assets and liabilities		
Accounts and notes receivable	(222,188)	(700,310)
Accounts receivable due from related parties	(4,013)	(11,081)
Other receivables	96,009	(14,882)
Inventories	1,329,722	288,553
Prepayments	(200,253)	(115,133)
Other current assets	1,574	(16,557)
Other financial assets	2,993	-
Accounts and notes payable	(168,215)	(1,649,563)
Accounts payable due to related parties	33,645	(1,343)
Other payables	(652,315)	(892,646)
Provisions	40,473	25,873
Advance receipts	174,470	(120,213)
Other current liabilities	121,516	(412,304)
Net defined benefit liabilities	(10,740)	(11,315)
Net cash inflows generated by operating activities	17,892,777	12,439,548
Interest received	670	568
Interest paid	(1,837)	(304)
Income taxes paid	(1,889,275)	(1,624,287)
Net cash generated from operating activities	<u>16,002,335</u>	<u>10,815,525</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(4,862,856)	(6,083,356)
Acquisition of intangible assets	(174,416)	(4,066,356)
Increase in prepayments for equipment	(138,204)	(144,206)
Proceeds from disposal of property, plant and equipment	2,549	38,525

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TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2016	2015
Purchase of available-for-sale financial assets	\$ (200,000)	\$ -
Proceeds from disposal of available-for-sale financial assets	-	1,002,660
Acquisition of investments accounted for using equity method	-	(603,403)
Acquisition of convertible notes	-	(516,750)
Increase in refundable deposits	(121,290)	(103,513)
Decrease in refundable deposits	92,047	76,330
Increase in other financial assets	(1,981,178)	(17,225)
Decrease in other financial assets	1,692,873	1,372,000
Interest received	48,134	61,253
Dividend received	27,666	-
Net cash used in investing activities	<u>(5,614,675)</u>	<u>(8,984,041)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	31,083,145	31,350,000
Decrease in short-term borrowings	(36,083,654)	(37,600,000)
Increase in short-term notes and bills payable	9,677,857	25,551,664
Decrease in short-term notes and bills payable	(18,271,519)	(23,756,606)
Proceeds from long-term borrowings	13,130,000	5,570,000
Repayment of long-term borrowings	(10,105,000)	(1,105,000)
Increase in guarantee deposits received	118,866	268,271
Decrease in guarantee deposits received	(84,265)	(256,555)
Cash dividends paid to non-controlling interests	(539,625)	(670,583)
Interest paid	(339,502)	(294,960)
Net cash used in financing activities	<u>(11,413,697)</u>	<u>(943,769)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS		
	<u>(2,341)</u>	<u>(3,828)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(1,028,378)	883,887
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
	<u>8,579,422</u>	<u>7,903,777</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
	<u>\$ 7,551,044</u>	<u>\$ 8,787,664</u>

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 SIX MONTHS ENDED JUNE 30, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

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

The consolidated financial statements of TWM comprise TWM and its subsidiaries.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements on July 27, 2016.

3. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- a. International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), Interpretations of IFRS (“IFRIC”), and Interpretations of IAS (“SIC”) issued by the International Accounting Standards Board (“IASB”) and endorsed by the ROC Financial Supervisory Commission (“FSC”) (collectively, the “IFRSs”) for application starting from 2017.

Rule No. 1050026834 issued by the FSC endorsed the IFRSs for application starting January 1, 2017.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note 1)</u>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016

(Continued)

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

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

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

The application of the above IFRSs, whenever applied in 2017, would not have any material impact on the Group’s accounting policies.

b. New IFRSs issued by IASB but not yet endorsed by the FSC.

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, except for IFRS 15 to be effective on January 1, 2018, the FSC has not announced the effective dates of the other new IFRSs.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note)
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
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 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IFRS 15 “Clarifications to IFRS 15”	January 1, 2018

(Continued)

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note)
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
	(Concluded)

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

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

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

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

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

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

IFRS 15 and related amendment require that when another party is involved in providing goods or services to a customer, the Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

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

2) IFRS 16 “Leases”

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the following description, the significant accounting policies adopted for the consolidated financial statements are the same as those adopted for the consolidated financial statements for the year ended December 31, 2015.

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 IAS 34 Interim Financial Reporting endorsed by the FSC. The consolidated financial statements do not include all the information which should be disclosed in the annual consolidated financial statements in accordance with the IFRSs endorsed by the FSC.

Basis of Consolidation

- a. The basis of preparing the consolidated financial statements is the same as that of the consolidated financial statements for the year ended December 31, 2015.
- b. The subsidiaries included in the consolidated financial statements were as follows:

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			June 30, 2016	December 31, 2015	June 30, 2015	
TWM	Taiwan Cellular Co., Ltd. (TCC)	Investment	100.00	100.00	100.00	-
	Wealth Media Technology Co., Ltd. (WMT)	Investment	100.00	100.00	100.00	-
	Taipei New Horizon Co., Ltd. (TNH)	Building and operating Songshan Cultural and Creative Park BOT project	49.90	49.90	49.90	-
TCC	TCC Investment Co., Ltd. (TCCI)	Investment	100.00	100.00	100.00	Note 1
	Taiwan Fixed Network Co., Ltd. (TFN)	Fixed-line service provider	100.00	100.00	100.00	-
	Taiwan Digital Communications Co., Ltd. (TDC)	Mobile phone wholesaling and TV program production	100.00	100.00	100.00	-
	TWM Holding Co., Ltd. (TWM Holding)	Investment	100.00	100.00	100.00	-
	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service and telephone marketing	100.00	100.00	100.00	-
	Taiwan Digital Service Co., Ltd. (TDS)	Commissioned maintenance service	100.00	100.00	100.00	-

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			June 30, 2016	December 31, 2015	June 30, 2015	
WMT	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00	100.00	100.00	-
	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00	100.00	100.00	-
	TFN Media Co., Ltd. (TFNM)	Cable broadband and value-added services provider	100.00	100.00	100.00	-
	Win TV Broadcasting Co., Ltd. (WTVB)	TV program provider	100.00	100.00	100.00	-
TCCI	momo.com Inc. (momo)	Wholesale and retail sales	45.01	45.01	44.38	Note 2
	TCCI Investment and Development Co., Ltd. (TID)	Investment	100.00	100.00	100.00	Note 1
TFN	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00	100.00	100.00	Note 1
	TFN HK Ltd.	Telecommunication service provider	100.00	100.00	100.00	-
TWM Holding	TWM Communications (Beijing) Co., Ltd. (TWMC)	Mobile application development and design	100.00	100.00	100.00	-
TT&T	TT&T Holdings Co., Ltd. (TT&T Holdings)	Investment	100.00	100.00	100.00	-
GWMT	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV service provider	6.83	6.83	6.83	-
GFMT	Union Cable TV Co., Ltd. (UCTV)	Cable TV service provider	0.76	0.76	0.76	-
TFNM	UCTV	Cable TV service provider	99.22	99.22	99.22	-
	Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Cable TV service provider	100.00	100.00	100.00	-
	Mangrove Cable TV Co., Ltd. (MCTV)	Cable TV service provider	29.53	29.53	29.53	Note 3
	Phoenix Cable TV Co., Ltd. (PCTV)	Cable TV service provider	100.00	100.00	100.00	-
	GCTV	Cable TV service provider	92.38	92.38	92.38	-
	Taiwan Kuro Times Co., Ltd. (TKT)	Online music service	100.00	100.00	100.00	-
momo	Fu Sheng Travel Service Co., Ltd. (FST)	Travel agent	100.00	100.00	100.00	-
	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.00	100.00	100.00	-
	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.00	100.00	100.00	-
	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	76.26	76.26	76.26	-
	Honest Development Co., Ltd. (Honest Development)	Investment	100.00	100.00	100.00	Note 4
Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.00	100.00	100.00	-
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.00	100.00	100.00	-
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	91.30	91.30	91.30	-
Honest Development	Hongkong Yue Numerous Investment Co., Ltd. (HK Yue Numerous)	Investment	100.00	100.00	100.00	Note 4
HK Yue Numerous	Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo)	Investment	100.00	100.00	100.00	Note 4

(Concluded)

Note 1: TCCI, TID and TUI collectively owned 698,752 thousand shares of TWM representing 20.42% of total outstanding shares as of June 30, 2016.

Note 2: WMT increased the percentage of ownership interests in momo due to momo's buy-back of treasury shares from October to December in 2015.

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

Note 4: In June 2015, momo established Honest Development to purchase HK Yue Numerous and its subsidiary, Haobo, through portfolio investment, and indirectly acquired the associate Beijing Global Guoguang Media Technology Co., Ltd., through Haobo.

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

Employee Benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim-period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the profit before tax of the interim-period.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2015.

6. CASH AND CASH EQUIVALENTS

	June 30, 2016	December 31, 2015	June 30, 2015
Cash on hand and revolving funds	\$ 83,918	\$ 79,942	\$ 99,779
Cash in banks	2,005,888	2,893,599	2,123,768
Time deposits	3,351,515	2,630,693	2,209,854
Government bonds with repurchase rights and short-term notes and bills	<u>2,109,723</u>	<u>2,975,188</u>	<u>4,354,263</u>
	<u>\$ 7,551,044</u>	<u>\$ 8,579,422</u>	<u>\$ 8,787,664</u>

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Domestic listed stock	\$ 1,839,542	\$ 215,395	\$ 213,873
Domestic emerging stock	1,372,131	937,307	1,069,017
Domestic unlisted stock	-	1,727,171	1,838,362
Beneficiary certificates	958,922	734,991	989,104
Foreign unlisted stock	<u>58,229</u>	<u>77,746</u>	<u>-</u>
	<u>\$ 4,228,824</u>	<u>\$ 3,692,610</u>	<u>\$ 4,110,356</u>
Current	\$ 1,270,365	\$ 1,028,132	\$ 1,202,977
Non-current	<u>2,958,459</u>	<u>2,664,478</u>	<u>2,907,379</u>
	<u>\$ 4,228,824</u>	<u>\$ 3,692,610</u>	<u>\$ 4,110,356</u>

8. ACCOUNTS AND NOTES RECEIVABLE, NET

	June 30, 2016	December 31, 2015	June 30, 2015
Notes receivable	\$ <u>61,269</u>	\$ <u>308,939</u>	\$ <u>28,116</u>
Accounts receivable	16,152,940	15,648,559	15,483,994
Less: Allowance for doubtful accounts	<u>(313,153)</u>	<u>(317,378)</u>	<u>(281,239)</u>
Accounts receivable, net	<u>15,839,787</u>	<u>15,331,181</u>	<u>15,202,755</u>
	<u>\$ 15,901,056</u>	<u>\$ 15,640,120</u>	<u>\$ 15,230,871</u>

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

	June 30, 2016	December 31, 2015	June 30, 2015
Neither past due nor impaired	\$ 15,551,842	\$ 15,022,116	\$ 14,869,663
Past due but not impaired			
Past due within 180 days	275,164	304,574	332,905
Past due over 180 days	<u>12,781</u>	<u>4,491</u>	<u>187</u>
	<u>\$ 15,839,787</u>	<u>\$ 15,331,181</u>	<u>\$ 15,202,755</u>

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

	For the Six Months Ended June 30	
	2016	2015
Beginning balance	\$ 317,378	\$ 277,815
Add: Provision	158,181	207,675
Recovery	32,855	33,486
Less: Write-off	<u>(195,261)</u>	<u>(237,737)</u>
Ending balance	<u>\$ 313,153</u>	<u>\$ 281,239</u>

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

Counterparty	Amount of Accounts Receivable Sold	Proceeds of the Sale of Accounts Receivable
<u>February 2016</u>		
Long Sun Asset Management Co., Ltd.	<u>\$ 845,385</u>	<u>\$ 46,644</u>
<u>January 2015</u>		
Long Sun Asset Management Co., Ltd.	<u>\$ 626,514</u>	<u>\$ 31,025</u>

9. INVENTORIES

	June 30, 2016	December 31, 2015	June 30, 2015
Merchandise	\$ 2,818,089	\$ 4,122,447	\$ 2,844,195
Materials for maintenance	36,721	63,652	76,553
Catering inventories	<u>-</u>	<u>2,114</u>	<u>1,687</u>
	<u>\$ 2,854,810</u>	<u>\$ 4,188,213</u>	<u>\$ 2,922,435</u>

For the three months and the six months ended June 30, 2016, the cost of goods sold recognized in consolidated comprehensive income amounted to \$10,583,845 thousand and \$21,993,474 thousand, respectively, which included the inventory recovery based on net realizable value amounting to \$67,384 thousand and \$71,971 thousand, respectively.

For the three months and the six months ended June 30, 2015, the cost of goods sold recognized in consolidated comprehensive income amounted to \$10,639,468 thousand and \$23,298,433 thousand, respectively, which included the inventory recovery based on net realizable value amounting to \$46,959 thousand and \$84,467 thousand, respectively.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

Investee Company	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
Beijing Global Guoguang Media Technology Co., Ltd. (GHS)	\$ 738,671	20.00	\$ 713,691	18.00	\$ 672,094	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	409,039	17.70	415,597	17.70	428,212	17.70
Kbro Media Co., Ltd. (Kbro Media)	264,002	32.50	277,574	32.50	276,314	32.50
TVD Shopping Co., Ltd. (TVD Shopping)	149,301	35.00	161,491	35.00	151,317	35.00
Alliance Digital Tech Co., Ltd. (ADT)	<u>11,081</u>	13.33	<u>16,009</u>	13.33	<u>18,675</u>	13.33
	<u>\$ 1,572,094</u>		<u>\$ 1,584,362</u>		<u>\$ 1,546,612</u>	

a. GHS

In June 2015, momo's subsidiary acquired 20% equity interests of GHS for \$670,448 thousand and obtained the purchase price allocation report in December 2015. The excess of the purchase price over the fair value of the acquired net assets includes \$657,332 thousand and \$79,617 thousand, respectively, for goodwill and customer relationship, whereas customer relationship is amortized over a period of nine and a half years.

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%. However, momo still has significant influence on GHS due to its having seats on GHS's board of directors.

In January 2016, momo's subsidiary's percentage of ownership interests in GHS increased to 20% due to acquisition of additional 2% equity interests of GHS. As of June 30, 2016, payments for the additional investments were not yet settled.

b. TPE

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

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

c. TVD Shopping

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

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% due to its not subscribing for new shares issued by ADT. TWM still has significant influence on ADT due to having one seat on ADT's board of directors.

11. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Subsidiary	Proportion of Non-controlling Interests' Ownership and Voting Rights		
	June 30, 2016	December 31, 2015	June 30, 2015
momo	54.99%	54.99%	55.62%

For information on the principal place of business and the Company's country of registration, see Table 6.

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

	June 30, 2016	December 31, 2015	June 30, 2015
Current assets	\$ 5,159,912	\$ 5,940,774	\$ 5,373,179
Non-current assets	11,387,597	11,140,732	11,174,413
Current liabilities	(3,521,577)	(3,683,020)	(3,174,730)
Non-current liabilities	<u>(261,172)</u>	<u>(267,878)</u>	<u>(250,387)</u>
Equity	<u>\$ 12,764,760</u>	<u>\$ 13,130,608</u>	<u>\$ 13,122,475</u>
Equity attributable to:			
Owners of parent	\$ 8,930,179	\$ 9,090,251	\$ 9,035,658
Non-controlling interests of momo	3,830,102	4,025,330	4,036,972
Non-controlling interests of momo's subsidiaries	<u>4,479</u>	<u>15,027</u>	<u>49,845</u>
	<u>\$ 12,764,760</u>	<u>\$ 13,130,608</u>	<u>\$ 13,122,475</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Operating revenues	<u>\$ 6,688,891</u>	<u>\$ 6,198,935</u>	<u>\$ 13,695,167</u>	<u>\$ 12,458,587</u>
Profit	\$ 293,117	\$ 252,853	\$ 629,437	\$ 510,379
Other comprehensive loss	<u>(6,123)</u>	<u>(23,511)</u>	<u>(14,549)</u>	<u>(52,963)</u>
Comprehensive income	<u>\$ 286,994</u>	<u>\$ 229,342</u>	<u>\$ 614,888</u>	<u>\$ 457,416</u>
Profit attributable to:				
Owners of parent	\$ 133,427	\$ 119,124	\$ 287,854	\$ 240,682
Non-controlling interests of momo	163,224	149,538	352,098	302,126
Non-controlling interests of momo's subsidiaries	<u>(3,534)</u>	<u>(15,809)</u>	<u>(10,515)</u>	<u>(32,429)</u>
	<u>\$ 293,117</u>	<u>\$ 252,853</u>	<u>\$ 629,437</u>	<u>\$ 510,379</u>

(Continued)

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2016	2015	2016	2015
Comprehensive income attributable to:				
Owners of parent	\$ 130,731	\$ 108,989	\$ 281,320	\$ 217,886
Non-controlling interests of momo	159,930	136,837	344,116	273,556
Non-controlling interests of momo's subsidiaries	<u>(3,667)</u>	<u>(16,484)</u>	<u>(10,548)</u>	<u>(34,026)</u>
	<u>\$ 286,994</u>	<u>\$ 229,342</u>	<u>\$ 614,888</u>	<u>\$ 457,416</u>
				(Concluded)

	For the Six Months Ended	
	2016	2015
Net cash from operating activities	\$ 459,942	\$ 209,720
Net cash from investing activities	733,426	1,757,267
Net cash from financing activities	(986,740)	(1,204,271)
Effect of exchange rate changes	<u>227</u>	<u>(1,591)</u>
Net increase in cash	<u>\$ 206,855</u>	<u>\$ 761,125</u>
Dividends paid to non-controlling interests	<u>\$ (539,079)</u>	<u>\$ (670,016)</u>

12. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

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

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Telecommuni- cation Equipment and Machinery	Miscellaneous Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>						
Balance, January 1, 2016	\$ 10,306,780	\$ 4,905,637	\$ 86,948,140	\$ 7,433,581	\$ 2,821,435	\$ 112,415,573
Additions	-	-	61,446	209,368	4,348,931	4,619,745
Reclassification	(18,878)	(8,046)	4,056,107	210,975	(4,303,836)	(63,678)
Disposals and retirements	-	(2,479)	(808,096)	(128,268)	(1,947)	(940,790)
Effect of exchange rate changes	-	-	(4,707)	(69)	-	(4,776)
Balance, June 30, 2016	<u>\$ 10,287,902</u>	<u>\$ 4,895,112</u>	<u>\$ 90,252,890</u>	<u>\$ 7,725,587</u>	<u>\$ 2,864,583</u>	<u>\$ 116,026,074</u>
						(Continued)

	Land	Buildings	Telecommuni- cation Equipment and Machinery	Miscellaneous Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2016	\$ 83,426	\$ 1,529,090	\$ 58,103,733	\$ 5,452,203	\$ -	\$ 65,168,452
Depreciation	-	71,143	4,754,263	490,196	-	5,315,602
Reclassification	-	(3,717)	(1,353)	(665)	-	(5,735)
Disposals and retirements	-	(2,479)	(734,814)	(116,157)	-	(853,450)
Effect of exchange rate changes	-	-	(3,174)	(46)	-	(3,220)
Balance, June 30, 2016	<u>\$ 83,426</u>	<u>\$ 1,594,037</u>	<u>\$ 62,118,655</u>	<u>\$ 5,825,531</u>	<u>\$ -</u>	<u>\$ 69,621,649</u>
Carrying amount, January 1, 2016	<u>\$ 10,223,354</u>	<u>\$ 3,376,547</u>	<u>\$ 28,844,407</u>	<u>\$ 1,981,378</u>	<u>\$ 2,821,435</u>	<u>\$ 47,247,121</u>
Carrying amount, June 30, 2016	<u>\$ 10,204,476</u>	<u>\$ 3,301,075</u>	<u>\$ 28,134,235</u>	<u>\$ 1,900,056</u>	<u>\$ 2,864,583</u>	<u>\$ 46,404,425</u>
<u>Cost</u>						
Balance, January 1, 2015	\$ 10,366,685	\$ 4,947,700	\$ 78,863,132	\$ 6,979,293	\$ 3,985,597	\$ 105,142,407
Additions	-	-	226,935	162,314	5,916,276	6,305,525
Reclassification	37,646	18,968	6,155,397	191,073	(6,351,900)	51,184
Disposals and retirements	(14,300)	(10,077)	(491,955)	(57,884)	(637)	(574,853)
Effect of exchange rate changes	-	-	(4,210)	(1,762)	-	(5,972)
Balance, June 30, 2015	<u>\$ 10,390,031</u>	<u>\$ 4,956,591</u>	<u>\$ 84,749,299</u>	<u>\$ 7,273,034</u>	<u>\$ 3,549,336</u>	<u>\$ 110,918,291</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2015	\$ 83,426	\$ 1,398,811	\$ 51,830,986	\$ 4,762,865	\$ -	\$ 58,076,088
Depreciation	-	71,947	4,669,218	514,425	-	5,255,590
Reclassification	-	8,683	-	-	-	8,683
Disposals and retirements	-	(4,515)	(412,647)	(56,266)	-	(473,428)
Effect of exchange rate changes	-	-	(2,104)	(1,123)	-	(3,227)
Balance, June 30, 2015	<u>\$ 83,426</u>	<u>\$ 1,474,926</u>	<u>\$ 56,085,453</u>	<u>\$ 5,219,901</u>	<u>\$ -</u>	<u>\$ 62,863,706</u>
Carrying amount, June 30, 2015	<u>\$ 10,306,605</u>	<u>\$ 3,481,665</u>	<u>\$ 28,663,846</u>	<u>\$ 2,053,133</u>	<u>\$ 3,549,336</u>	<u>\$ 48,054,585</u>

(Concluded)

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

Buildings

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

- b. The non-cash investing activities of the Group for the six months ended June 30, 2016 and 2015 were as follows:

	For the Six Months Ended June 30	
	2016	2015
Acquisition of property, plant and equipment	\$ 4,619,745	\$ 6,305,525
Non-cash investing activities		
Changes in other payables	264,696	(190,089)
Changes in provisions	<u>(21,585)</u>	<u>(32,080)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 4,862,856</u>	<u>\$ 6,083,356</u>

14. INVESTMENT PROPERTIES

	June 30, 2016	December 31, 2015	June 30, 2015
Cost	\$ 400,945	\$ 374,022	\$ 342,758
Accumulated depreciation	<u>49,148</u>	<u>43,857</u>	<u>37,995</u>
Carrying amount	<u>\$ 351,797</u>	<u>\$ 330,165</u>	<u>\$ 304,763</u>
Fair value	<u>\$ 880,369</u>	<u>\$ 834,950</u>	<u>\$ 824,160</u>
Capitalization rate	0.8%-4.42%	0.8%-5.34%	0.76%-4.2%

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

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

15. INTANGIBLE ASSETS

The cost, amortization, and impairment of intangible assets of the Group for the six months ended June 30, 2016 and 2015, were as follows:

	Concessions		Goodwill	Other Intangible Assets					Total
	Concession License	Service Concession		Computer Software	Customer Relationship	Operating Rights	Trademarks	Others	
Cost									
Balance, January 1, 2016	\$ 42,724,375	\$ 8,180,697	\$ 15,845,930	\$ 2,948,499	\$ 2,654,089	\$ 1,382,000	\$ 2,517,866	\$ -	\$ 76,253,456
Addition	-	-	-	81,907	-	-	-	-	81,907
Disposals and retirements	-	-	-	(54,045)	-	-	-	-	(54,045)
Adjustment and reclassification	-	(619)	-	167,935	-	-	-	-	167,316
Effect of exchange rate changes	-	-	-	(630)	-	-	-	-	(630)
Balance, June 30, 2016	<u>\$ 42,724,375</u>	<u>\$ 8,180,078</u>	<u>\$ 15,845,930</u>	<u>\$ 3,143,666</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,866</u>	<u>\$ -</u>	<u>\$ 76,448,004</u>
Accumulated amortization and impairment									
Balance, January 1, 2016	\$ 9,964,550	\$ 495,181	\$ -	\$ 2,288,861	\$ 1,101,463	\$ -	\$ 977	\$ -	\$ 13,851,032
Amortization	1,185,245	89,326	-	236,827	68,200	-	99	-	1,579,697
Disposals and retirements	-	-	-	(54,045)	-	-	-	-	(54,045)
Effect of exchange rate changes	-	-	-	(420)	-	-	-	-	(420)
Balance, June 30, 2016	<u>\$ 11,149,795</u>	<u>\$ 584,507</u>	<u>\$ -</u>	<u>\$ 2,471,223</u>	<u>\$ 1,169,663</u>	<u>\$ -</u>	<u>\$ 1,076</u>	<u>\$ -</u>	<u>\$ 15,376,264</u>
Carrying amount, January 1, 2016	<u>\$ 32,759,825</u>	<u>\$ 7,685,516</u>	<u>\$ 15,845,930</u>	<u>\$ 659,638</u>	<u>\$ 1,552,626</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,889</u>	<u>\$ -</u>	<u>\$ 62,402,424</u>
Carrying amount, June 30, 2016	<u>\$ 31,574,580</u>	<u>\$ 7,595,571</u>	<u>\$ 15,845,930</u>	<u>\$ 672,443</u>	<u>\$ 1,484,426</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,790</u>	<u>\$ -</u>	<u>\$ 61,071,740</u>

(Continued)

	Concessions		Goodwill	Other Intangible Assets					Total
	Concession License	Service Concession		Computer Software	Customer Relationship	Operating Rights	Trademarks	Others	
Cost									
Balance, January 1, 2015	\$ 39,291,000	\$ 7,914,775	\$ 15,845,930	\$ 2,484,186	\$ 2,849,197	\$ 1,382,000	\$ 2,517,866	\$ 5,217	\$ 72,290,171
Addition	3,433,375	321,324	-	69,319	-	-	-	-	3,824,018
Disposals and retirements	-	-	-	(344)	(195,108)	-	-	(5,147)	(200,599)
Adjustment and reclassification	-	(69,039)	-	158,141	-	-	-	-	89,102
Effect of exchange rate changes	-	-	-	(531)	-	-	-	(70)	(601)
Balance, June 30, 2015	<u>\$ 42,724,375</u>	<u>\$ 8,167,060</u>	<u>\$ 15,845,930</u>	<u>\$ 2,710,771</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,866</u>	<u>\$ -</u>	<u>\$ 76,002,091</u>
Accumulated amortization and impairment									
Balance, January 1, 2015	\$ 7,785,003	\$ 317,480	\$ -	\$ 1,852,678	\$ 1,160,171	\$ -	\$ 778	\$ 5,217	\$ 11,121,327
Amortization	994,303	87,567	-	210,780	68,200	-	99	-	1,360,949
Disposals and retirements	-	-	-	(344)	(195,108)	-	-	(5,147)	(200,599)
Effect of exchange rate changes	-	-	-	(300)	-	-	-	(70)	(370)
Balance, June 30, 2015	<u>\$ 8,779,306</u>	<u>\$ 405,047</u>	<u>\$ -</u>	<u>\$ 2,062,814</u>	<u>\$ 1,033,263</u>	<u>\$ -</u>	<u>\$ 877</u>	<u>\$ -</u>	<u>\$ 12,281,307</u>
Carrying amount, June 30, 2015	<u>\$ 33,945,069</u>	<u>\$ 7,762,013</u>	<u>\$ 15,845,930</u>	<u>\$ 647,957</u>	<u>\$ 1,620,826</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,989</u>	<u>\$ -</u>	<u>\$ 63,720,784</u>

(Concluded)

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

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

a. Service concession

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

b. Customer relationship, trademarks, and operating rights

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

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

c. Goodwill

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

	June 30, 2016	December 31, 2015	June 30, 2015
Mobile communication service	\$ 7,238,758	\$ 7,238,758	\$ 7,238,758
Fixed network service	357,970	357,970	357,970
Cable television business	3,269,636	3,269,636	3,269,636
Retail business	<u>4,979,566</u>	<u>4,979,566</u>	<u>4,979,566</u>
	<u>\$ 15,845,930</u>	<u>\$ 15,845,930</u>	<u>\$ 15,845,930</u>

d. Impairment of assets

See Note 17 (d) to the consolidated financial statements for the year ended December 31, 2015 for the related information on impairment of assets. There was no significant evidence indicating impairment of intangible assets as of June 30, 2016.

16. OTHER NON-CURRENT ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Long-term accounts receivable	\$ 4,684,783	\$ 4,912,506	\$ 5,001,582
Refundable deposits	610,050	581,237	605,891
Prepayments for equipment	46,604	68,843	67,390
Others	<u>506,207</u>	<u>504,516</u>	<u>515,757</u>
	<u>\$ 5,847,644</u>	<u>\$ 6,067,102</u>	<u>\$ 6,190,620</u>

17. BORROWINGS

a. Short-term borrowings

	June 30, 2016	December 31, 2015	June 30, 2015
Unsecured loans	\$ 9,184,675	\$ 14,220,938	\$ 12,650,000
Secured loans	<u>33,929</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,218,604</u>	<u>\$ 14,220,938</u>	<u>\$ 12,650,000</u>
Annual interest rate:			
Unsecured loans	0.7%-4.57%	0.82%-4.57%	0.83%-1.14%
Secured loans	4.43%	-	-

For the information on assets pledged as collateral, endorsements and guarantees, see Notes 30 and 31.

b. Short-term notes and bills payable

	June 30, 2016	December 31, 2015	June 30, 2015
Short-term notes and bills payable	\$ 2,200,000	\$ 10,800,000	\$ 7,400,000
Less: Discount on short-term notes and bills payable	<u>(982)</u>	<u>(6,513)</u>	<u>(9,239)</u>
	<u>\$ 2,199,018</u>	<u>\$ 10,793,487</u>	<u>\$ 7,390,761</u>
Annual interest rate	0.56%-0.564%	0.642%-0.95%	0.808%-0.99%

c. Long-term borrowings

	June 30, 2016	December 31, 2015	June 30, 2015
Unsecured loans	\$ 21,900,000	\$ 18,770,000	\$ 16,570,000
Secured loans	3,076,472	3,180,363	3,286,436
Less: Current portion	<u>(3,352,891)</u>	<u>(10,267,891)</u>	<u>(11,208,218)</u>
	<u>\$ 21,623,581</u>	<u>\$ 11,682,472</u>	<u>\$ 8,648,218</u>
Annual interest rate:			
Unsecured loans	0.72%-2.0666%	1.07%-2.1406%	1.05%-2.25%
Secured loans	2.2947%	2.1789%	2.2526%

1) Unsecured loans

The Group entered into credit facility agreements with a group of banks for mid-term requirements of operating capital. The facilities last from 2 to 7 years from the date of drawing and from the date of contracting, respectively, and the interests are paid periodically. Under certain credit agreements, loans are treated revolving credit facilities, and the maturity dates of loans are based on terms under the agreements. Besides, some credit facilities are subject to covenants regarding debt ratio 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 credit facility is managed by Bank of Taiwan. The aggregate credit and guarantee amount were up to \$3,565,000 thousand for 7 years, including the grace period of 4 years, with interest payments on a monthly basis. In addition, TNH signed the supplementary agreement on December 29, 2015 to extend the credit period to 10 years starting from the date the initial drawdown was made. In accordance with the loan agreement, the regular financial covenants, e.g. current ratio, equity ratio, and interest protection multiples, must be complied with during the credit facility period. For property under the BOT contract and its superficies that have been pledged as collateral, see Note 30.

18. BONDS PAYABLE

	June 30, 2016	December 31, 2015	June 30, 2015
3rd domestic unsecured bonds	\$ 8,997,825	\$ 8,997,447	\$ 8,997,070
4th domestic unsecured bonds	5,798,937	5,798,491	5,798,046
Less: Current portion	<u>(2,899,629)</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,897,133</u>	<u>\$ 14,795,938</u>	<u>\$ 14,795,116</u>

a. 3rd domestic unsecured bonds

On December 20, 2012, TWM authorized Hua Nan Commercial Bank as a trustee to issue \$9,000,000 thousand of seven-year 3rd domestic unsecured bonds, each having a face value of \$10,000 thousand and a coupon rate of 1.34% per annum, with simple interest due annually. Repayment will be made in the sixth and seventh years with equal installments, i.e., \$4,500,000 thousand. As of June 30, 2016, the amount of unamortized bond issue cost was \$2,175 thousand.

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

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

b. 4th domestic unsecured bonds

On April 25, 2013, TWM authorized Hua Nan Commercial Bank as a trustee to issue \$5,800,000 thousand of five-year 4th domestic unsecured bonds, each having a face value of \$10,000 thousand and a coupon rate of 1.29% per annum, with simple interest due annually. Repayment will be made in the fourth and fifth years with equal installments, i.e., \$2,900,000 thousand. As of June 30, 2016, the amount of unamortized bond issue cost was \$1,063 thousand.

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

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

19. PROVISIONS

	June 30, 2016	December 31, 2015	June 30, 2015
Restoration	\$ 1,172,032	\$ 1,160,809	\$ 1,135,273
Decommissioning	135,899	110,876	87,061
Warranties	<u>157,654</u>	<u>125,776</u>	<u>73,765</u>
	<u>\$ 1,465,585</u>	<u>\$ 1,397,461</u>	<u>\$ 1,296,099</u>
Current	\$ 198,593	\$ 166,217	\$ 231,420
Non-current	<u>1,266,992</u>	<u>1,231,244</u>	<u>1,064,679</u>
	<u>\$ 1,465,585</u>	<u>\$ 1,397,461</u>	<u>\$ 1,296,099</u>

	Restoration	Decom- missioning	Warranties	Total
Balance, January 1, 2016	\$ 1,160,809	\$ 110,876	\$ 125,776	\$ 1,397,461
Provision	41,881	23,255	121,290	186,426
Reversal	(14,989)	-	(23,462)	(38,451)
Unwinding of discount	4,298	1,768	-	6,066
Payment	<u>(19,967)</u>	<u>-</u>	<u>(65,950)</u>	<u>(85,917)</u>
Balance, June 30, 2016	<u>\$ 1,172,032</u>	<u>\$ 135,899</u>	<u>\$ 157,654</u>	<u>\$ 1,465,585</u>
Balance, January 1, 2015	\$ 1,105,662	\$ 63,246	\$ 62,524	\$ 1,231,432
Provision	39,673	22,666	66,299	128,638
Reversal	(8,348)	-	(18,124)	(26,472)
Unwinding of discount	5,565	1,149	-	6,714
Payment	<u>(7,279)</u>	<u>-</u>	<u>(36,934)</u>	<u>(44,213)</u>
Balance, June 30, 2015	<u>\$ 1,135,273</u>	<u>\$ 87,061</u>	<u>\$ 73,765</u>	<u>\$ 1,296,099</u>

20. RETIREMENT BENEFIT PLANS

a. Defined benefit plan

The Group recognized pension expense of \$1,534 thousand and \$1,224 thousand for the three months ended June 30, 2016 and 2015, respectively, and \$3,068 thousand and \$2,421 thousand for the six months ended June 30, 2016 and 2015, respectively, by using the actuarially determined pension cost rate.

b. Defined contribution plans

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

The Group's contribution to the pension plan amounted to \$69,998 thousand and \$63,860 thousand for the three months ended June 30, 2016 and 2015, respectively, and \$140,221 thousand and \$128,101 thousand for the six months ended June 30, 2016 and 2015, respectively.

21. EQUITY

a. Common stock

As of June 30, 2016, December 31, 2015 and June 30, 2015, TWM had authorized 6,000,000 thousand common shares, with 3,420,833 thousand shares issued and outstanding at par value \$10 per share.

b. Capital surplus

	June 30, 2016	December 31, 2015	June 30, 2015
Additional paid-in capital from convertible corporate bonds	\$ 8,775,820	\$ 8,775,820	\$ 8,775,820
Treasury share transactions	5,159,704	5,159,704	5,159,704
Difference between consideration and carrying amount arising from the disposal of subsidiaries' shares	85,965	85,965	85,965
Changes in equity of subsidiaries	511,562	511,562	652,219
Changes in equity of associates accounted for using equity method	37,907	37,907	26,705
Others	<u>15,418</u>	<u>15,418</u>	<u>15,417</u>
	<u>\$ 14,586,376</u>	<u>\$ 14,586,376</u>	<u>\$ 14,715,830</u>

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

c. Appropriation of earnings and dividend policy

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

The policy on appropriation of earnings and dividend distribution in amended TWM's Articles of Incorporation provided that, in the event that TWM, according to the final settlement, earns profits in a fiscal year, such profits shall first be set aside to pay the applicable taxes, offset losses, 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 the laws, regulations, or the 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 shareholders' meeting. For the policies on distribution of employees' compensation or bonuses to employees and remuneration to directors before and after amendment, see Note 34.

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

The above appropriation of earnings should be resolved by the AGM held in the following year.

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

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

The 2015 and 2014 earnings appropriations having been approved by the AGM on June 15, 2016 and June 10, 2015, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2015	For Fiscal Year 2014	For Fiscal Year 2015	For Fiscal Year 2014
Appropriation of legal reserve	\$ 1,568,619	\$ 1,500,543		
Appropriation of special reserve	870,968	302,986		
Cash dividends to shareholders	<u>15,243,655</u>	<u>15,243,655</u>	\$ 5.6	\$ 5.6
	<u>\$ 17,683,242</u>	<u>\$ 17,047,184</u>		

As of June 30, 2016, the cash dividends to shareholders of TWM of \$15,243,655 thousand were recognized under dividends payable.

d. Other equity interests

	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Total
Balance, January 1, 2016	\$ 22,386	\$ (1,196,340)	\$ (1,173,954)
Exchange differences on translation	(2,212)	-	(2,212)
Changes in fair value of available-for-sale financial assets	-	333,787	333,787
Changes in other comprehensive income (loss) of associates accounted for using equity method	<u>(8,969)</u>	<u>(2,903)</u>	<u>(11,872)</u>
Balance, June 30, 2016	<u>\$ 11,205</u>	<u>\$ (865,456)</u>	<u>\$ (854,251)</u>

(Continued)

	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Total
Balance, January 1, 2015	\$ 31,294	\$ (334,280)	\$ (302,986)
Exchange differences on translation	(6,807)	-	(6,807)
Changes in fair value of available-for-sale financial assets	-	(572,244)	(572,244)
Changes in other comprehensive income (loss) of associates accounted for using equity method	<u>109</u>	<u>(1,899)</u>	<u>(1,790)</u>
Balance, June 30, 2015	<u>\$ 24,596</u>	<u>\$ (908,423)</u>	<u>\$ (883,827)</u> (Concluded)

e. Treasury shares

As of June 30, 2016, December 31, 2015 and June 30, 2015, 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 \$78,609,555 thousand, \$69,875,160 thousand and \$71,971,415 thousand, respectively. Since TWM's shares held by its subsidiaries are regarded as treasury shares, TWM recognized \$29,717,344 thousand, as treasury shares. For those treasury shares holders, they have the same rights as the other shareholders, except that they are not allowed to subscribe new shares issued by TWM for cash. In addition, based on the ROC Company Act, subsidiaries with over 50% shareholding owned by TWM cannot exercise the voting rights over such treasury shares.

f. Non-controlling interests

	For the Six Months Ended June 30	
	2016	2015
Beginning balance	\$ 5,736,019	\$ 6,252,897
Portion attributable to non-controlling interests		
Profit	309,288	242,960
Unrealized losses on available-for-sale financial assets	2,427	(11,321)
Exchange differences on translation	397	(7,310)
Share of other comprehensive income (loss) of associates accounted for using equity method	(10,839)	(11,536)
Changes in equity of associates accounted for using equity method	(75)	-
Cash dividends from subsidiaries paid to non-controlling interests	(539,625)	(670,583)
Decrease in non-controlling interests	<u>(190)</u>	<u>-</u>
Ending balance	<u>\$ 5,497,402</u>	<u>\$ 5,795,107</u>

22. OPERATING REVENUES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Telecommunication service	\$ 14,302,475	\$ 14,637,681	\$ 28,528,577	\$ 28,951,234
Sales revenue	11,205,758	11,144,803	23,371,073	24,066,444
Cable TV and broadband services	1,600,493	1,578,025	3,186,909	3,158,813
Other operating revenues	<u>1,333,303</u>	<u>966,382</u>	<u>2,554,367</u>	<u>1,867,970</u>
	<u>\$ 28,442,029</u>	<u>\$ 28,326,891</u>	<u>\$ 57,640,926</u>	<u>\$ 58,044,461</u>

23. OTHER INCOME AND EXPENSES

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Interest income	\$ 42,827	\$ 36,719	\$ 82,659	\$ 66,776
Dividend income	9,608	10,658	9,608	10,658
Other income	<u>31,385</u>	<u>10,163</u>	<u>48,390</u>	<u>18,937</u>
	<u>\$ 83,820</u>	<u>\$ 57,540</u>	<u>\$ 140,657</u>	<u>\$ 96,371</u>

b. Other gains and losses, net

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Loss on disposal of property, plant and equipment, net	\$ (51,071)	\$ (26,200)	\$ (93,483)	\$ (62,900)
Valuation gain (loss) on financial assets at fair value through profit or loss	(9,047)	8,268	(54,485)	8,268
Gain on disposal of investments	-	2,660	-	2,660
Others	<u>1,892</u>	<u>(3,118)</u>	<u>(40,690)</u>	<u>(30,565)</u>
	<u>\$ (58,226)</u>	<u>\$ (18,390)</u>	<u>\$ (188,658)</u>	<u>\$ (82,537)</u>

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Interest expense				
Bank loans	\$ 90,092	\$ 92,346	\$ 196,489	\$ 186,206
Corporate bonds	49,036	49,096	98,036	97,693
Others	19,734	32,123	43,942	62,085
	<u>158,862</u>	<u>173,565</u>	<u>338,467</u>	<u>345,984</u>
Less: Capitalized interest	<u>(1,592)</u>	<u>(1,327)</u>	<u>(2,956)</u>	<u>(3,220)</u>
	<u>\$ 157,270</u>	<u>\$ 172,238</u>	<u>\$ 335,511</u>	<u>\$ 342,764</u>
Capitalization rates	1.33%	1.33%	1.33%	1.33%

24. INCOME TAX

a. Income tax recognized in profit or loss

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Current income tax expense				
Current period	\$ 984,782	\$ 803,558	\$ 1,942,227	\$ 1,327,344
Prior years' adjustment	<u>(4,787)</u>	<u>(70,996)</u>	<u>(9,117)</u>	<u>(570,012)</u>
	<u>979,995</u>	<u>732,562</u>	<u>1,933,110</u>	<u>757,332</u>
Deferred income tax expense				
Temporary differences	<u>(122,275)</u>	<u>30,085</u>	<u>(247,495)</u>	<u>216,627</u>
Income tax expense	<u>\$ 857,720</u>	<u>\$ 762,647</u>	<u>\$ 1,685,615</u>	<u>\$ 973,959</u>

b. Integrated income tax information was as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Balance of TWM's imputation credit account (ICA)	<u>\$ 3,625,431</u>	<u>\$ 1,148,061</u>	<u>\$ 3,181,450</u>

As of June 30, 2016, there were no unappropriated earnings generated before 1997.

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

c. Income tax examinations

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

<u>Company</u>	<u>Year</u>
TWM	2013
TCC	2014
WMT	2014
TNH	2014
TDC	2014
TDS	2014
TCCI	2014
TID	2014
TFN	2014
TT&T	2014
TUI	2014
GWMT	2014
GFMT	2014
WTVB	2014
TFNM	2014 (2013 is still awaiting examination)
UCTV	2014
YJCTV	2014
MCTV	2014
PCTV	2014
GCTV	2014
TKT	2014
momo	2013
FST	2014
FLI	2014
FPI	2014

TFN's income tax returns up to 2014 have been assessed by the tax authorities. TFN disagreed with the assessments of the income tax returns for 2010 and has appealed to ROC Ministry of Finance.

25. EARNINGS PER SHARE

	<u>For the Three Months Ended June 30, 2016</u>		
	<u>Amount After</u>	<u>Weighted- average Number of</u>	<u>EPS</u>
	<u>Income Tax</u>	<u>Common Stock</u>	
Basic EPS			
Profit attributable to owners of parent	\$ 4,118,189	2,722,081	<u>\$ 1.51</u>
Effect of potential dilutive common stock	<u>-</u>	<u>2,276</u>	
Diluted EPS			
Profit attributable to owners of parent (adjusted for potential effect of common stock)	<u>\$ 4,118,189</u>	<u>2,724,357</u>	<u>\$ 1.51</u>

For the Three Months Ended June 30, 2015			
	Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of parent	\$ 3,947,422	2,722,081	<u>\$ 1.45</u>
Effect of potential dilutive common stock	<u>-</u>	<u>4,946</u>	
Diluted EPS			
Profit attributable to owners of parent (adjusted for potential effect of common stock)	<u>\$ 3,947,422</u>	<u>2,727,027</u>	<u>\$ 1.45</u>
For the Six Months Ended June 30, 2016			
	Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of parent	\$ 7,891,312	2,722,081	<u>\$ 2.90</u>
Effect of potential dilutive common stock	<u>-</u>	<u>2,979</u>	
Diluted EPS			
Profit attributable to owners of parent (adjusted for potential effect of common stock)	<u>\$ 7,891,312</u>	<u>2,725,060</u>	<u>\$ 2.89</u>
For the Six Months Ended June 30, 2015			
	Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of parent	\$ 7,760,109	2,722,081	<u>\$ 2.85</u>
Effect of potential dilutive common stock	<u>-</u>	<u>5,405</u>	
Diluted EPS			
Profit attributable to owners of parent (adjusted for potential effect of common stock)	<u>\$ 7,760,109</u>	<u>2,727,486</u>	<u>\$ 2.85</u>

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

26. OPERATING LEASE

a. Lessee

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

	June 30, 2016	December 31, 2015	June 30, 2015
Less than one year	\$ 3,195,587	\$ 3,204,706	\$ 3,057,585
Between one and five years	4,443,790	4,815,646	4,724,931
More than five years	<u>87,808</u>	<u>104,120</u>	<u>98,961</u>
	<u>\$ 7,727,185</u>	<u>\$ 8,124,472</u>	<u>\$ 7,881,477</u>

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

The payments of leases and subleases were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Minimum lease payment	\$ 903,641	\$ 885,344	\$ 1,814,153	\$ 1,766,629
Sublease payment	<u>(572)</u>	<u>(146)</u>	<u>(1,144)</u>	<u>(291)</u>
	<u>\$ 903,069</u>	<u>\$ 885,198</u>	<u>\$ 1,813,009</u>	<u>\$ 1,766,338</u>

b. Lessor

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

	June 30, 2016	December 31, 2015	June 30, 2015
Less than one year	\$ 19,006	\$ 19,926	\$ 18,488
Between one and five years	<u>20,999</u>	<u>22,659</u>	<u>23,539</u>
	<u>\$ 40,005</u>	<u>\$ 42,585</u>	<u>\$ 42,027</u>

27. CAPITAL MANAGEMENT

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

28. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	June 30, 2016	December 31, 2015	June 30, 2015
<u>Financial assets</u>			
Available-for-sale financial assets (including current and non-current portions)	\$ 4,228,824	\$ 3,692,610	\$ 4,110,356
Financial assets at fair value through profit or loss	<u>101,083</u>	<u>158,322</u>	<u>208,051</u>
Financial assets carried at cost	<u>192,700</u>	<u>192,700</u>	<u>192,652</u>
Held-to-maturity financial assets	<u>-</u>	<u>-</u>	<u>6</u>
Loans and receivables:			
Cash and cash equivalents	7,551,044	8,579,422	8,787,664
Receivables (including current and non-current portions)	21,752,597	21,792,955	21,321,625
Debt instrument investments without active market (including current and non-current portions)	386,896	359,062	823,940
Other financial assets (including current and non-current portions)	3,397,573	3,112,465	1,884,334
Refundable deposits	<u>610,050</u>	<u>581,237</u>	<u>605,891</u>
Subtotal	<u>33,698,160</u>	<u>34,425,141</u>	<u>33,423,454</u>
Total	<u>\$ 38,220,767</u>	<u>\$ 38,468,773</u>	<u>\$ 37,934,519</u>
<u>Financial liabilities</u>			
Short-term borrowings	\$ 9,218,604	\$ 14,220,938	\$ 12,650,000
Short-term notes and bills payable	2,199,018	10,793,487	7,390,761
Payables (including current and non-current portions)	32,655,148	18,541,226	33,706,121
Bonds payable (including current portion)	14,796,762	14,795,938	14,795,116
Long-term borrowings (including current portion)	24,976,472	21,950,363	19,856,436
Guarantee deposits	<u>818,842</u>	<u>797,787</u>	<u>794,318</u>
Total	<u>\$ 84,664,846</u>	<u>\$ 81,099,739</u>	<u>\$ 89,192,752</u>

b. Fair value of financial instruments

1) Financial instruments not at fair value

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

	<u>June 30, 2016</u>		<u>December 31, 2015</u>		<u>June 30, 2015</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial liabilities</u>						
Bonds payable (including current portion)	\$ 14,796,762	\$ 15,000,993	\$ 14,795,938	\$ 14,965,461	\$ 14,795,116	\$ 14,776,094

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

2) Fair value measurements recognized in the consolidated balance sheets

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

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

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

June 30, 2016

	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Domestic listed stock	\$ 1,839,542	\$ -	\$ -	\$ 1,839,542
Domestic emerging stock	1,372,131	-	-	1,372,131
Beneficiary certificates	958,922	-	-	958,922
Foreign unlisted stocks	-	58,229	-	58,229
	<u>\$ 4,170,595</u>	<u>\$ 58,229</u>	<u>\$ -</u>	<u>\$ 4,228,824</u>
Financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,083</u>	<u>\$ 101,083</u>

December 31, 2015

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

June 30, 2015

	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Domestic listed stock	\$ 213,873	\$ -	\$ -	\$ 213,873
Domestic emerging stock	1,069,017	-	-	1,069,017
Domestic unlisted stocks	-	1,838,362	-	1,838,362
Beneficiary certificates	<u>989,104</u>	<u>-</u>	<u>-</u>	<u>989,104</u>
	<u>\$ 2,271,994</u>	<u>\$ 1,838,362</u>	<u>\$ -</u>	<u>\$ 4,110,356</u>
Financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,051</u>	<u>\$ 208,051</u>

Transfer between Level 1 and Level 2 for the six months ended June 30, 2016 was mainly due to the changes in the source of valuation. There was no transfer between the fair value measurements of Levels 1 and 2 for the six months ended June 30, 2015.

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: The Group uses market comparison approach to evaluate fair values based on observable prices of the similar financial instruments at the end of the period and their market liquidity. For foreign unlisted stocks, the Group also takes price fluctuation and risk-free rate into consideration by using market comparison approach.
- c) Valuation techniques and inputs applied for Level 3 fair value measurement: The embedded derivatives instruments of convertible notes are evaluated by using binary tree evaluation models to evaluate fair value, considering significant unobservable inputs are historical volatility of stock prices and liquidity discount rate. As of June 30, 2016, December 31, 2015 and June 30, 2015, the historical volatility of stock prices was estimated at 69.78%, 55.02% and 80.05%, respectively, and the liquidity discount rate was estimated at 36%, 31.15% and 48.68%,

respectively. Assuming all other variables are constant, an increase (or decrease) in the historical volatility of stock prices used in isolation would result in an increase (or decrease) in the liquidity discount rate. There is a positive correlation between historical volatility of stock prices and fair value and a negative correlation between liquidity discount rate and fair value. As a result, the fair value is affected by historical volatility of stock prices and liquidity discount rate.

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

<u>Financial Assets at Fair Value Through Profit or Loss</u> <u>- Derivative Instruments</u>	For the Six Months Ended	
	June 30	
	2016	2015
Beginning balance	\$ 158,322	\$ -
Purchases	-	198,794
Recognized in profit or loss		
Valuation gain (loss) on financial assets at fair value through profit or loss	(54,485)	8,268
Unrealized gain (loss) on foreign currency exchange	<u>(2,754)</u>	<u>989</u>
Ending balance	<u>\$ 101,083</u>	<u>\$ 208,051</u>

c. Financial risk management

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

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

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

2) Risk management framework

a) Decision-making mechanism

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

b) Risk management policies

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

c) Monitoring mechanism

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

3) Credit risk

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

4) Liquidity risk

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

The Group ensures sufficient cash for the requirements of paying estimated operating expenditures, including financial obligations. The Group also monitors its bank credit facilities to ensure that the provisions of loan contracts are all complied with properly. As of June 30, 2016, December 31, 2015 and June 30, 2015, the Group had unused bank facilities of \$51,842,133 thousand, \$44,877,067 thousand and \$57,468,520 thousand, respectively.

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

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

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1-5 Years	More Than 5 Years
<u>June 30, 2016</u>					
Unsecured loans	\$ 31,084,675	\$ 31,508,619	\$ 12,548,553	\$ 18,960,066	\$ -
Secured loans	3,110,401	3,360,642	311,774	3,048,868	-
Short-term notes and bills payable	2,199,018	2,200,000	2,200,000	-	-
Bonds payable	<u>14,796,762</u>	<u>15,334,330</u>	<u>3,095,420</u>	<u>12,238,910</u>	<u>-</u>
	<u>\$ 51,190,856</u>	<u>\$ 52,403,591</u>	<u>\$ 18,155,747</u>	<u>\$ 34,247,844</u>	<u>\$ -</u>

(Continued)

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1-5 Years	More Than 5 Years
<u>December 31, 2015</u>					
Unsecured loans	\$ 32,990,938	\$ 33,336,485	\$ 24,465,439	\$ 8,838,846	\$ 32,200
Secured loans	3,180,363	3,475,786	281,980	3,193,806	-
Short-term notes and bills payable	10,793,487	10,800,000	10,800,000	-	-
Bonds payable	<u>14,795,938</u>	<u>15,409,150</u>	<u>195,420</u>	<u>15,213,730</u>	<u>-</u>
	<u>\$ 61,760,726</u>	<u>\$ 63,021,421</u>	<u>\$ 35,742,839</u>	<u>\$ 27,246,382</u>	<u>\$ 32,200</u>
<u>June 30, 2015</u>					
Unsecured loans	\$ 29,220,000	\$ 29,542,012	\$ 23,851,928	\$ 5,665,791	\$ 24,293
Secured loans	3,286,436	3,431,797	281,320	3,150,477	-
Short-term notes and bills payable	7,390,761	7,400,000	7,400,000	-	-
Bonds payable	<u>14,795,116</u>	<u>15,529,750</u>	<u>195,420</u>	<u>15,334,330</u>	<u>-</u>
	<u>\$ 54,692,313</u>	<u>\$ 55,903,559</u>	<u>\$ 31,728,668</u>	<u>\$ 24,150,598</u>	<u>\$ 24,293</u> (Concluded)

5) Market risk

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

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

a) Exchange rate risk

The Group mainly operates in Taiwan, except for international roaming services. Most of the operating revenues and expenses are measured in NTD. A small portion of the expenses is paid in 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. Overall, exchange rate risk does not affect the Group significantly.

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

	June 30, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 4,264	4.847	\$ 20,669
USD	50,727	32.335	1,640,268
JPY	26	0.3157	8
HKD	93,126	4.167	388,056
EUR	1,144	35.8	40,943
Non-monetary items			
RMB	152,397	4.847	738,671
HKD	38,232	4.167	159,312
THB	161,704	0.9233	149,301
<u>Foreign currency liabilities</u>			
Monetary items			
RMB	4,444	4.847	21,540
USD	13,660	32.335	441,689
JPY	4,392	0.3157	1,386
HKD	146	4.167	609
EUR	21	35.8	752
AUD	360	23.975	8,635
	December 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 3,904	4.975	\$ 19,422
USD	53,819	32.86	1,768,481
JPY	606	0.2729	165
HKD	84,947	4.239	360,089
EUR	928	35.94	33,342
Non-monetary items			
RMB	143,455	4.975	713,691
HKD	55,690	4.239	236,068
THB	176,166	0.9167	161,491
<u>Foreign currency liabilities</u>			
Monetary items			
USD	11,791	32.86	387,456
JPY	7,857	0.2729	2,144
HKD	148	4.239	629
EUR	6	35.94	214

	June 30, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 1,743	4.987	\$ 8,693
USD	47,538	30.97	1,472,238
JPY	567	0.252	143
HKD	118,256	3.994	472,316
EUR	879	34.3	30,159
Non-monetary items			
RMB	172,825	4.987	861,880
HKD	52,091	3.994	208,051
THB	164,422	0.9203	151,317

Foreign currency liabilities

Monetary items			
USD	10,676	30.97	330,645
JPY	11,587	0.252	2,920
HKD	149	3.994	596
EUR	6	34.3	217

The Group's foreign exchange gains and losses, including realized and unrealized, for the three months ended June 30, 2016 and 2015, were net exchange gain of \$4,571 thousand and net exchange loss \$569 thousand, respectively. For the six months ended June 30, 2016 and 2015, net exchange loss amounted to \$35,129 thousand and \$25,633 thousand, respectively. Due to the variety of functional currencies, the Group could not disclose the foreign exchange gains (losses) for each foreign currency with significant influence.

Sensitivity analysis

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts denominated in foreign currencies such as cash and cash equivalents, accounts receivable, other receivables, debt instrument investments without active market, other financial assets, refundable deposits, accounts payable, other payables, and guarantee deposits, etc. If the foreign currencies with 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 \$80,767 thousand and \$82,458 thousand for the six months ended June 30, 2016 and 2015, respectively.

b) Interest rate risk

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

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

	June 30, 2016	December 31, 2015	June 30, 2015
Fair value interest rate risk			
Financial assets	\$ 9,019,866	\$ 8,821,624	\$ 8,504,488
Financial liabilities	34,795,780	55,289,425	48,435,877
Cash flow interest rate risk			
Financial assets	2,216,430	3,135,602	2,379,721
Financial liabilities	16,395,076	6,471,301	6,256,436

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), the Group's profit would have decreased by \$35,447 thousand and \$9,692 thousand for the six months ended June 30, 2016 and 2015, respectively.

c) Other market price risk

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

Sensitivity analysis

If the 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), for the six months ended June 30, 2016 and 2015, other comprehensive income would have decreased by \$211,441 thousand and \$205,518 thousand, respectively.

29. RELATED-PARTY TRANSACTIONS

a. Parent company and ultimate controlling party

TWM is the ultimate controlling party of the Group.

b. Significant transactions with related parties

1) Operating revenue

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Associates	\$ 16,041	\$ 6,774	\$ 36,920	\$ 11,511
Other related parties	<u>98,256</u>	<u>54,844</u>	<u>180,824</u>	<u>90,768</u>
	<u>\$ 114,297</u>	<u>\$ 61,618</u>	<u>\$ 217,744</u>	<u>\$ 102,279</u>

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

2) Purchases

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Associates	\$ 89,353	\$ 107,924	\$ 191,379	\$ 229,674
Other related parties	<u>130,948</u>	<u>64,840</u>	<u>237,153</u>	<u>126,568</u>
	<u>\$ 220,301</u>	<u>\$ 172,764</u>	<u>\$ 428,532</u>	<u>\$ 356,242</u>

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

3) Receivables from related parties

Account	Related Party Categories	June 30, 2016	December 31, 2015	June 30, 2015
Accounts receivable	Associates	\$ 8,749	\$ 18,786	\$ 3,394
Accounts receivable	Other related parties	<u>57,367</u>	<u>43,317</u>	<u>42,248</u>
		<u>\$ 66,116</u>	<u>\$ 62,103</u>	<u>\$ 45,642</u>
Account	Related Party Categories	June 30, 2016	December 31, 2015	June 30, 2015
Other receivables	Associates	\$ 89,984	\$ 88,661	\$ 81,768
Other receivables	Other related parties	<u>35,543</u>	<u>40,557</u>	<u>66,416</u>
		<u>\$ 125,527</u>	<u>\$ 129,218</u>	<u>\$ 148,184</u>

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

4) Payables to related parties

Account	Related Party Categories	June 30, 2016	December 31, 2015	June 30, 2015
Accounts payable	Associates	\$ 29,519	\$ 38,485	\$ 35,928
Accounts payable	Other related parties	<u>95,612</u>	<u>53,001</u>	<u>42,121</u>
		<u>\$ 125,131</u>	<u>\$ 91,486</u>	<u>\$ 78,049</u>
Other payables	Other related parties	<u>\$ 82,771</u>	<u>\$ 75,394</u>	<u>\$ 65,507</u>

5) Prepayments

	June 30, 2016	December 31, 2015	June 30, 2015
Other related parties	\$ <u>62,763</u>	\$ <u>26,445</u>	\$ <u>47,911</u>

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

	June 30, 2016	December 31, 2015	June 30, 2015
Other related parties	\$ <u>-</u>	\$ <u>-</u>	\$ <u>705,000</u>

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

7) Bank deposits, time deposits and other financial assets

	June 30, 2016	December 31, 2015	June 30, 2015
Other related parties	\$ <u>2,806,373</u>	\$ <u>2,004,158</u>	\$ <u>1,884,854</u>

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

The Group acquired beneficiary certificates from other related parties. In June 2015, the Group disposed of the certificates for \$200,506 thousand to the original related parties. The disposal gain was \$506 thousand.

9) Others

	June 30, 2016	December 31, 2015	June 30, 2015
Guarantee deposits			
Other related parties	\$ <u>48,279</u>	\$ <u>48,271</u>	\$ <u>32,518</u>

For the Three Months Ended June 30	For the Six Months Ended June 30
2016	2015

Operating expenses				
Other related parties	\$ <u>152,172</u>	\$ <u>130,737</u>	\$ <u>271,045</u>	\$ <u>243,244</u>

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

For the Three Months Ended June 30	For the Six Months Ended June 30
2016	2015

Non-operating income				
Other related parties	\$ <u>3,836</u>	\$ <u>10,596</u>	\$ <u>3,836</u>	\$ <u>10,596</u>

c. Key management compensation

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Short-term employee benefits	\$ 72,939	\$ 75,167	\$ 148,712	\$ 148,888
Termination and post-employment benefits	<u>2,063</u>	<u>720</u>	<u>6,343</u>	<u>1,449</u>
	<u>\$ 75,002</u>	<u>\$ 75,887</u>	<u>\$ 155,055</u>	<u>\$ 150,337</u>

30. ASSETS PLEDGED

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

	June 30, 2016	December 31, 2015	June 30, 2015
Other current financial assets	\$ 2,568,386	\$ 1,079,811	\$ 124,902
Property, plant and equipment	59,260	-	-
Services concession	7,595,571	7,685,516	7,762,013
Other non-current financial assets	<u>120,089</u>	<u>109,366</u>	<u>109,030</u>
	<u>\$ 10,343,306</u>	<u>\$ 8,874,693</u>	<u>\$ 7,995,945</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	June 30, 2016	December 31, 2015	June 30, 2015
Purchases of property, plant and equipment	<u>\$ 6,605,039</u>	<u>\$ 4,905,394</u>	<u>\$ 4,862,252</u>
Purchases of cellular phones	<u>\$ 4,760,023</u>	<u>\$ 4,111,662</u>	<u>\$ 3,306,358</u>

b. As of June 30, 2016, December 31, 2015 and June 30, 2015, the amounts of endorsements and guarantees (provided to each entity in the Group) were \$21,695,410 thousand, \$21,699,250 thousand and \$21,550,000 thousand, respectively.

c. In accordance with the NCC's policy, TWM entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid cards and electronic gift certificates, totaling amounting to \$956,780 thousand and \$2,342 thousand, respectively, as of June 30, 2016.

In accordance with the NCC's policy, TFN entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from International Direct Dialing ("IDD") calling cards totaling \$38 thousand as of June 30, 2016.

In accordance with the NCC's policy, cable television companies should provide a performance deposit based on a certain proportion of the advance receipts for a prepaid period. As of June 30, 2016, the cable television companies had provided \$65,483 thousand as a performance deposit, classified as other non-current financial assets.

In accordance with the Ministry of Economic Affairs' policy, momo entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid bonus and electronic tickets totaling \$21,953 thousand and \$3,279 thousand, respectively, as of June 30, 2016.

In accordance with the Ministry of Economic Affairs' policies, TKT entered into a contract with Mega International Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid music cards totaling \$1,177 thousand as of June 30, 2016.

- 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 June 30, 2016, \$429,812 thousand (tax included) of the concession had been paid.

3) Performance guarantee:

As of June 30, 2016, TNH had provided a \$65,000 thousand performance guarantee regarding the BOT contract.

4) Rental of land:

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

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

- e. In May 2015, Far EasTone Telecommunications (FET) filed with the Taipei District Court ("Court") a request for provisional injunction to prohibit TWM from using a portion of its C1 spectrum block (1715.1-1721.3/1810.1-1816.3 MHz). FET offered a security deposit of \$1,048,703 thousand for the Court to bring the requested injunction into effect. The Court granted the request but allowed TWM to provide a counter-security deposit of \$927,000 thousand to continue the use of the spectrum block. TWM filed for the counter-security on July 14, 2015 and the use of the C1 spectrum remains status quo. The rights and interests of the subscribers will not be affected.

Besides, in August 2015, FET filed with the Court a civil statement of complaint, in which FET claims that (i) TWM shall apply to return the C4 spectrum block (1748.7-1754.9/1843.7-1849.9 MHz) to the NCC; (ii) TWM shall not use the C4 spectrum block; (iii) TWM shall not use the C1 spectrum block until the application of TWM to return the C4 spectrum block is approved by the NCC; (iv) TWM shall provide \$1,005,800 thousand to FET as compensation. On May 23, 2016, the Court decided that TWM lost the lawsuit on claims (i), (ii), and (iii); FET lost on claim (iv). FET offered a security deposit of \$320,630 thousand for provisional execution of claims (i) to (iv). TWM offered a counter-security deposit of \$961,913 thousand to be exempted from the provisional execution of claims

(i) to (iv). In addition, on June 27, 2016, TWM had appealed against the sentence of claim (i), (ii), and (iii), and offered a counter-security deposit of \$962,000 thousand for exemption from provisional execution of the sentence.

FET further filed a provisional injunction in April 2016, in which FET claimed that TWM shall apply to return the C4 spectrum block to the NCC immediately and TWM shall not use the C1 and C4 spectrum blocks. On April 28, 2016, TWM received the Court ruling, which states that, after FET has provided a collateral of \$143,050 thousand or a negotiable certificate deposit (“NCD”) issued by Far Eastern International Bank for the equal amount, TWM shall apply to return the C4 spectrum block to the NCC, and TWM shall be prohibited from the use of the C4 spectrum block; the rest of FET’s claims were rejected. TWM may provide a counter-security deposit of \$547,119 thousand or a NCD issued by the Bank of Taiwan for the equal amount to be exempted from, or to move for revocation of the above FET’s provisional injunction. TWM provided \$548,000 thousand for the counter-security deposit on May 5, 2016 so that TWM would not be required to return the C4 spectrum block, which is currently used for providing TWM’s 2G services, to the NCC, and the use of the C4 spectrum block would remain status quo. The rights and interests of TWM’s 2G subscribers will not be affected. On May 6, 2016, TWM has filed an appeal against the unfavorable portion of the judgement. The aforementioned case is still in the judicial process of the Taiwan High Court. The outcome of the aforementioned court case filed by FET is not expected to have material impacts on TWM’s financial or operational aspect.

- f. YJCTV has requested for reexamination due to disagreement with the assessments of the business tax returns from 2008 to 2013.

32. SIGNIFICANT CASUALTY LOSS: NONE

33. SIGNIFICANT SUBSEQUENT EVENTS: NONE

34. OTHERS

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

	For the Three Months Ended June 30					
	2016			2015		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 501,112	\$ 990,854	\$ 1,491,966	\$ 501,342	\$ 926,149	\$ 1,427,491
Insurance expenses	40,964	85,160	126,124	42,267	80,408	122,675
Pension	22,784	46,465	69,249	22,293	40,585	62,878
Others	24,880	61,009	85,889	26,028	52,610	78,638
Depreciation	2,576,161	119,546	2,695,707	2,507,547	126,527	2,634,074
Amortization	679,137	108,982	788,119	635,457	94,303	729,760
	For the Six Months Ended June 30					
	2016			2015		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 1,010,427	\$ 2,046,266	\$ 3,056,693	\$ 1,005,879	\$ 1,887,976	\$ 2,893,855
Insurance expenses	81,180	173,488	254,668	85,142	164,849	249,991
Pension	45,758	92,952	138,710	44,363	81,646	126,009
Others	50,351	120,262	170,613	50,234	102,759	152,993
Depreciation	5,075,142	240,460	5,315,602	4,997,784	257,806	5,255,590
Amortization	1,358,838	220,859	1,579,697	1,165,027	195,922	1,360,949

a. Information of employees' compensation and remuneration to directors

In accordance with the amendments to the Company Act in May 2015 and the amended TWM's Articles resolved by the AGM in June 2016: the estimated employees' compensation and remuneration to directors are at the rates of 1% to 3% and no higher than 0.3%, respectively, of profit before income tax, employees' compensation, and remuneration to directors. By applying the aforementioned rates to profit before income tax, employees' compensation, and remuneration to directors, for the three months and the six months ended June 30, 2016, TWM's employees' compensation amounted to \$133,726 thousand and \$256,039 thousand, and remuneration to directors amounted to \$13,373 thousand and \$25,604 thousand, respectively.

The estimated employees' bonuses and estimated remuneration to directors were at the rates of 1% to 3% and no more than 0.3% of profit after income tax, respectively, before the amendments to TWM's Articles. Following TWM's Articles before the amendments, for the three months and the six months ended June 30, 2015, TWM's bonuses to employees amounted to \$97,810 thousand and \$192,098 thousand, and remuneration to directors amounted to \$8,341 thousand and \$16,330 thousand, respectively.

If there is a change in the proposed 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 to directors for 2015 shown below were approved by the Board of Directors on January 29, 2016 and submitted to the AGM after the resolution of the amendments to TWM's Articles by the AGM held on June 15, 2016. The differences with the amounts recognized in the consolidated financial statements have been adjusted in 2016.

	Employees' Compensation Paid by Cash	Remuneration to Directors
Amounts resolved by the Board of Directors	<u>\$ 454,757</u>	<u>\$ 45,476</u>
Amounts recognized in the consolidated financial statements	<u>\$ 466,322</u>	<u>\$ 46,632</u>

On the AGM held on June 10, 2015, the AGM resolved to distribute cash bonuses to employees, and remuneration to directors totaling \$396,057 thousand and \$33,846 thousand, respectively, for 2014. There were no differences between the amounts resolved for actual distribution and the amounts recognized in the financial statements for 2014.

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

- b. For the three months and the six months ended June 30, 2016 and 2015, the depreciation expense in non-operating expenses was \$800 thousand, \$760 thousand, \$1,575 thousand and \$1,514 thousand, respectively.

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 properties at costs of at least NT\$300 million or 20% of the paid-in capital: None
 - 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
 - 8) Receivables from related parties of at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
 - 9) Names, locations and related information of investees on which TWM exercised significant influence: Table 6 (attached) (excluding information on investment in Mainland China)
 - 10) Trading in derivative instruments: Note 28
 - 11) Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 7 (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 8 (attached)
 - 2) Significant direct or indirect transactions with the investee companies, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: See the aforementioned "Information on significant transactions".

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.

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

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

Cable Television: Providing pay TV and cable broadband services.

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

For the Three Months Ended June 30, 2016	Telecommuni- cation	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$ 20,054,940	\$ 6,688,891	\$ 1,647,851	\$ 143,324	\$ (92,977)	\$ 28,442,029
Operating costs	12,091,046	5,872,009	782,818	112,597	(51,916)	18,806,554
Operating expenses	3,797,669	497,625	195,259	31,579	(45,379)	4,476,753
Other gains and losses, net	73,035	903	7,426	-	-	81,364
Profit	4,239,260	320,160	677,200	(852)	4,318	5,240,086
EBITDA (Note)	7,386,738	343,526	899,107	51,651	43,690	8,724,712

For the Three Months Ended June 30, 2015	Telecommuni- cation	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$ 20,481,278	\$ 6,198,935	\$ 1,627,439	\$ 142,577	\$ (123,338)	\$ 28,326,891
Operating costs	12,784,957	5,436,924	782,459	110,883	(59,016)	19,056,207
Operating expenses	3,684,249	490,197	186,926	31,005	(38,853)	4,353,524
Other gains and losses, net	26,967	(1,242)	5,189	-	1	30,915
Profit	4,039,039	270,572	663,243	689	(25,468)	4,948,075
EBITDA (Note)	7,047,064	304,934	893,811	53,247	13,613	8,312,669

For the Six Months Ended June 30, 2016	Telecommuni- cation	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$ 40,550,697	\$ 13,695,167	\$ 3,288,106	\$ 297,573	\$ (190,617)	\$ 57,640,926
Operating costs	24,824,308	11,977,136	1,555,204	228,874	(97,250)	38,488,272
Operating expenses	7,699,040	1,029,089	391,980	68,402	(73,029)	9,115,482
Other gains and losses, net	191,568	(133)	16,030	-	-	207,465
Profit	8,218,917	688,809	1,356,952	297	(20,338)	10,244,637
EBITDA (Note)	14,444,043	738,701	1,795,120	105,335	58,312	17,141,511

For the Six Months Ended June 30, 2015	Telecommuni- cation	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$ 42,296,084	\$ 12,458,587	\$ 3,251,347	\$ 280,199	\$ (241,756)	\$ 58,044,461
Operating costs	27,438,420	10,920,939	1,560,354	222,234	(106,044)	40,035,903
Operating expenses	7,469,389	970,991	375,443	58,483	(73,378)	8,800,928
Other gains and losses, net	75,284	(1,214)	7,093	-	1	81,164
Profit	7,463,559	565,443	1,322,643	(518)	(62,333)	9,288,794
EBITDA (Note)	13,372,780	633,456	1,782,306	102,533	15,772	15,906,847

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING EXTENDED TO OTHER PARTIES
FOR THE SIX MONTHS ENDED JUNE 30, 2016

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits	Note
													Item	Value			
1	TFN	TWM	Other receivables	Yes	\$ 9,000,000	\$ 9,000,000	\$ 6,380,000	1.11722%-1.23511%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 21,953,570	\$ 21,953,570	Note 2
2	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	1.23100%	Short-term financing	-	Repayment of financing	-	-	-	270,648	489,410	Note 3
3	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	1.18567%-1.23100%	Transactions	554,159	-	-	-	-	554,159	964,917	Note 3
4	YJCTV	TFNM	Other receivables	Yes	470,000	470,000	415,000	1.18567%-1.23100%	Transactions	503,506	-	-	-	-	503,506	751,557	Note 3
5	WMT	TWM	Other receivables	Yes	3,000,000	2,680,000	980,000	1.11733%-1.29767%	Short-term financing	-	Operation requirements	-	-	-	7,728,921	7,728,921	Note 2
		TKT	Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	7,728,921	7,728,921	Note 2
		WTVB	Other receivables	Yes	600,000	600,000	80,000	1.11611%-1.28111%	Short-term financing	-	Operation requirements	-	-	-	7,728,921	7,728,921	Note 2
		TFNM	Other receivables	Yes	3,000,000	3,000,000	2,730,000	1.11722%-1.29789%	Short-term financing	-	Operation requirements	-	-	-	7,728,921	7,728,921	Note 2
6	TCC	TWM	Other receivables	Yes	300,000	300,000	300,000	1.23511%	Short-term financing	-	Operation requirements	-	-	-	34,683,966	34,683,966	Note 2

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE SIX MONTHS ENDED JUNE 30, 2016

(In Thousands of New Taiwan Dollars)

No.	Company Providing Endorsements/ Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts (Note 1)	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor (Note 1)	Maximum Endorsements/ Guarantees Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	TWM	TFN TKT	Note 2 Note 2	\$ 42,000,000 259,800	\$ 21,500,000 50,000	\$ 21,500,000 50,000	\$ 10,201,775 50,000	\$ - -	40.93 0.10	\$ 52,523,004 52,523,004	Y Y	N N	N N	Notes 3 and 4 Note 3
1	momo	FGE	Note 2	790,725	145,410	145,410	145,410	-	2.75	5,286,815	N	N	Y	Note 5

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

Note 2: Direct/indirect subsidiary.

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

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)
JUNE 30, 2016

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	June 30, 2016				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
TWM	<u>Stock</u>							
	Chunghwa Telecom Co., Ltd.	-	Current available-for-sale financial assets	2,174	\$ 253,214	0.028	\$ 253,214	
	Asia Pacific Telecom Co., Ltd.	-	Non-current available-for-sale financial assets	148,255	1,586,328	3.45	1,586,328	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at cost	800	7,050	10	-	
	Yes Mobile Holdings Company	-	Non-current financial assets at cost	74	-	0.19	-	Note 1
momo	<u>Beneficiary Certificates</u>							
	Fubon Strategic High Income Fund B	Related party in substance	Current available-for-sale financial assets	18,302	178,041	-	178,041	
	Fuh Hwa Emerging Market High Yield Bond Fund B	-	Current available-for-sale financial assets	10,225	66,155	-	66,155	
	PineBridge Global Multi - Strategy High Yield Bond Fund-B	-	Current available-for-sale financial assets	23,351	167,195	-	167,195	
	Eastspring Investments Global High Yield Bond Fund B	-	Current available-for-sale financial assets	19,028	162,111	-	162,111	
	JPMorgan (Taiwan) Asia High Yield Total Return Bond Fund - Monthly Distribution Share Class	-	Current available-for-sale financial assets	18,916	185,237	-	185,237	
	Eastspring Investments Well Pool Money Market Fund	-	Current available-for-sale financial assets	14,879	200,183	-	200,183	
TCC	<u>Stock</u>							
	Media Asia Group Holdings Limited	-	Current available-for-sale financial assets	43,668	58,229	2.04	58,229	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at cost	2,400	60,000	7.73	-	
TCC	<u>Stock</u>							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at cost	6,998	67,731	5.21	-	
	Parawin Venture Capital Corp.	-	Non-current financial assets at cost	1,944	9,311	3	-	
	Transportation High Tech Inc.	-	Non-current financial assets at cost	1,200	-	12	-	Note 1
	WEB Point Co., Ltd.	-	Non-current financial assets at cost	803	6,773	3.17	-	
TFNM	<u>Beneficiary Certificates</u>							
	Dragon Tiger Capital Partners Limited - Class B	-	Non-current financial assets at cost	0.2	6	0.33	-	
	Dragon Tiger Capital Partners Limited - Class C	-	Non-current financial assets at cost	0.0335	2,202	0.05	-	

(Continued)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	June 30, 2016				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
TFNM	<u>Bonds</u> Media Asia Group Holdings Limited - Convertible Notes	-	Non-current financial assets at fair value through profit or loss	-	\$ 101,083	-	\$ 101,083	
		-	Non-current debt instrument investment without active market	-	386,896	-	-	
TCCI	<u>Stock</u> TWM Great Taipei Broadband Co., Ltd.	TWM	Non-current available-for-sale financial assets	200,497	22,555,886	5.86	22,555,886	
		-	Non-current financial assets at cost	10,000	39,627	6.67	-	
TID	<u>Stock</u> TWM	TWM	Non-current available-for-sale financial assets	87,590	9,853,825	2.56	9,853,825	
TFN	<u>Stock</u> Taiwan High Speed Rail Corporation	-	Non-current available-for-sale financial assets	90,212	1,372,131	1.61	1,372,131	
TUI	<u>Stock</u> TWM	TWM	Non-current available-for-sale financial assets	410,665	46,199,844	12	46,199,844	

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

Note 2: For the information on investments in subsidiaries and associates, see Table 6 and Table 8 for details.

(Concluded)

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 SIX MONTHS ENDED JUNE 30, 2016

(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	\$ 480,687	1	Based on contract terms	-	-	\$ 153,008	1	(Note 1)
			Purchase	2,415,164	(Note 2)	Based on contract terms	-	-	(426,620)	(Note 3)	(Note 1)
			Purchase	178,566	1	Based on contract terms	-	-	(90,125)	3	(Note 1)
			Purchase	565,578	(Note 2)	Based on contract terms	-	-	(91,646)	(Note 3)	(Note 1)
	Fubon Property & Casualty Insurance Co., Ltd.	Related party in substance	Purchase	124,171	1	Based on contract terms	-	-	(71,845)	2	
TT&T	TWM	Ultimate parent	Sale	565,578	92	Based on contract terms	-	-	91,646	92	
TFN	TWM	Ultimate parent	Sale	2,415,164	45	Based on contract terms	-	-	426,620	52	(Note 1)
			Purchase	480,687	(Note 2)	Based on contract terms	-	-	(153,008)	(Note 3)	(Note 1)
TKT	TWM	Ultimate parent	Sale	178,566	88	Based on contract terms	-	-	90,125	100	(Note 1)
TFNM	PCTV	Subsidiary	Channel leasing fee	239,280	15	Based on contract terms	(Note 4)	(Note 4)	-	-	
	YJCTV	Subsidiary	Channel leasing fee	215,910	13	Based on contract terms	(Note 4)	(Note 4)	-	-	
	UCTV	Subsidiary	Channel leasing fee	110,790	7	Based on contract terms	(Note 4)	(Note 4)	-	-	
YJCTV	TFNM	Parent	Royalty for copyright	215,910	55	Based on contract terms	(Note 4)	(Note 4)	-	-	
PCTV	TFNM	Parent	Royalty for copyright	239,280	58	Based on contract terms	(Note 4)	(Note 4)	-	-	
UCTV	TFNM	Parent	Royalty for copyright	110,790	45	Based on contract terms	(Note 4)	(Note 4)	-	-	
momo	TPE	Equity-method investee	Purchase	190,753	2	Based on contract terms	-	-	(29,487)	1	

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

Note 2: Including operating costs and operating expenses.

Note 3: Including accounts payable and other payables.

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2016

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
						Amount	Action Taken		
TWM	TFN	Subsidiary	Accounts receivable	\$ 153,008	5.6	\$ -	-	\$ 151,560	\$ -
			Other receivables	33,103		-	-	31,675	-
TCC	TWM	Parent	Other receivables	300,650		-	-		-
WMT	TWM	Parent	Other receivables	981,860		-	-		-
	TFNM	Subsidiary	Other receivables	2,733,412		-	-		-
TFN	TWM	Ultimate parent	Accounts receivable	426,620	10.25	-	-	388,840	-
			Other receivables	6,519,057		-	-	80,274	-
PCTV	TFNM	Parent	Accounts receivable	4,679	9.59	-	-		-
			Other receivables	520,038		-	-		-
GCTV	TFNM	Parent	Accounts receivable	2,108	9.26	-	-		-
			Other receivables	250,001		-	-		-
YJCTV	TFNM	Parent	Accounts receivable	4,635	9.1	-	-		-
			Other receivables	415,001		-	-		-

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE SIX MONTHS ENDED JUNE 30, 2016

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2016			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				June 30, 2016	December 31, 2015	Shares (Thousands)	Percentage of Ownership	Carrying Value			
TWM	TCC	Taiwan	Investment	\$ 40,397,288	\$ 40,397,288	502,970	100	\$ 17,636,111	\$ 1,785,134	\$ 160,471	Note 1
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	19,322,301	1,333,798	1,333,798	
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,650,634	(65,090)	(32,480)	
	ADT	Taiwan	Technology development of mobile payment and information processing services	30,000	30,000	3,000	13.33	11,081	(35,999)	(4,928)	
TCC	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	30,804,586	551	-	Note 2
	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	54,884,888	1,741,540	-	Note 2
	TDC	Taiwan	Mobile phone wholesaling and TV program production	112,000	112,000	11,200	100	115,840	(96)	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	261,743	(1,593)	-	Notes 2 and 3
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	87,541	28,070	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	25,000	2,500	100	100,099	5,707	-	Note 2
WMT	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	95,815	2,576	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	17,445	236	-	Note 2
	TFNM	Taiwan	Cable broadband and value added service provider	5,210,443	5,210,443	230,921	100	6,147,283	1,033,562	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	288,766	57,544	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	8,930,179	640,352	-	Notes 2 and 4
TCCI	TID	Taiwan	Investment	3,602,782	3,602,782	104,712	100	8,668,343	(69)	-	Note 2
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	40,614,974	(95)	-	Note 2
	TFN HK Ltd.	Hong Kong	Telecommunications service provider	3,100	3,100	1,300	100	21,219	647	-	Note 2
TT&T	TT&T Holdings	Samoa	Investment	36,284	36,284	1,300	100	53,687	(731)	-	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	94,228	39,257	-	Note 2
GFMT	UCTV	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	15,648	43,304	-	Note 2
TFNM	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,035,445	43,304	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	2,144,608	59,454	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	620,129	57,463	-	Notes 2 and 5
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,351,680	107,236	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,247,588	39,257	-	Note 2
	TKT	Taiwan	Digital music service	129,900	129,900	12,000	100	250,969	(457)	-	Note 2
	Kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	264,002	(32,537)	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2016			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				June 30, 2016	December 31, 2015	Shares (Thousands)	Percentage of Ownership	Carrying Value			
momo	FST	Taiwan	Travel agent	\$ 6,000	\$ 6,000	3,000	100	\$ 38,556	\$ 11,431	\$ -	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	9,929	1,197	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	7,717	(399)	-	Note 2
	Asian Crown (BVI)	British Virgin Islands	Investment	789,864	789,864	26,500	76.26	11,390	(31,683)	-	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	717,292	23,399	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	409,039	68,114	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	143,804	143,804	31,150	35	149,301	46,425	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,035,051	1,035,051	33,633	100	10,182	(31,547)	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,035,051	1,035,051	33,633	100	10,182	(31,547)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	717,292	23,399	-	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 June 30, 2016.

Note 4: Non-controlling interests.

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

Note 6: For information on investment in Mainland China, see Table 8 for details.

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2016

(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	Other receivables	\$ 33,103	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Other non-current assets	18,822		-
		TFN	1	Short-term borrowings	6,380,000		4
		WMT	1	Short-term borrowings	980,000		1
		TCC	1	Short-term borrowings	300,000		-
		TKT	1	Accounts payable	89,998		-
		TFN	1	Other payables	516,449		-
		TT&T	1	Other payables	91,641		-
		TFN	1	Other current liabilities	41,094		-
		TFN	1	Operating revenues	480,687		1
		momo	1	Operating revenues	63,190		-
		TFN	1	Operating costs	2,407,701		4
		TKT	1	Operating costs	178,566		-
		TDS	1	Operating costs	59,734		-
		TNH	1	Operating costs	15,547		-
		TT&T	1	Operating expenses	565,548		1
		TNH	1	Operating expenses	44,587		-
		TFN	1	Operating expenses	26,684		-
		momo	1	Other income	20,640		-
		TFN	1	Other income	18,405		-
TFN	1	Finance costs	37,759	-			
WMT	1	Finance costs	11,806	-			
1	WMT	TFNM	1	Other receivables	2,733,412	"	2
		WTVB	1	Other receivables	80,030	"	-
		TFNM	1	Other income	11,858	"	-
2	momo	FST	1	Accounts and notes receivable, net	19,082	"	-
		TFNM	3	Operating costs	48,823	"	-
3	TFNM	PCTV	1	Accounts and notes receivable, net	33,427	"	-
		YJCTV	1	Accounts and notes receivable, net	32,521	"	-
		UCTV	1	Accounts and notes receivable, net	22,407	"	-
		GCTV	1	Accounts and notes receivable, net	14,981	"	-
		MCTV	1	Accounts and notes receivable, net	13,394	"	-
		PCTV	1	Short-term borrowings	520,000	"	-
		YJCTV	1	Short-term borrowings	415,000	"	-

(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	TFNM	GCTV	1	Short-term borrowings	\$ 250,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-	
		WTVB	3	Notes payable	17,621		"	-
		PCTV	1	Operating revenues	260,200		"	-
		YJCTV	1	Operating revenues	234,699		"	-
		UCTV	1	Operating revenues	110,790		"	-
		GCTV	1	Operating revenues	101,878		"	-
		WTVB	3	Operating costs	33,564		"	-
		PCTV	1	Operating costs	18,083		"	-
		YJCTV	1	Operating costs	17,233		"	-
		UCTV	1	Operating costs	11,519		"	-
4	TFN	TFNM	3	Accounts and notes receivable, net	23,929	"	-	
		TFN HK Ltd.	1	Other payables	18,320	"	-	
		TFNM	3	Operating revenues	71,411	"	-	
		TFN HK Ltd.	1	Operating costs	51,681	"	-	
		TT&T	3	Operating expenses	48,980	"	-	

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

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

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2016

(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, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2016	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of June 30, 2016	Accumulated Inward Remittance of Earnings as of June 30, 2016	Note
					Outflow	Inflow							
Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis and development of CRM application and information consulting services	\$ -	b	\$ 42,036	\$ -	\$ -	\$ 42,036	\$ -	100	\$ -	\$ -	\$ -	Note 2
TWMC	Mobile application development and design	97,005	b	157,536	-	-	157,536	330	100	330	110,128	-	
FGE	Wholesaling	1,114,810	b	790,725	-	-	790,725	(34,423)	69.63	(23,969)	7,472	-	
Haobo	Investment	53,317	b	-	-	-	-	23,399	100	23,399	717,292	-	
GHS	Wholesaling	63,360	b	-	-	-	-	135,734	20	22,674	738,671	-	Note 3

Company	Accumulated Investment in Mainland China as of June 30, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
TWM and subsidiaries	\$1,692,599	\$1,774,659	\$34,812,244

Note 1: The investment types are as follows:

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

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

Note 3: In January 2016, momo's subsidiary acquired 2% equity interests of GHS. The payments for the additional investments were not yet settled as of June 30, 2016.