

Taiwan Mobile Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 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 September 30, 2016 and 2015, and the related consolidated statements of comprehensive income for the three months and the nine months ended September 30, 2016 and 2015, and statements of changes in equity and cash flows for the nine months ended September 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 the Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements" of Taiwan, the Republic of China ("ROC"). 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

October 28, 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	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)		September 30, 2015 (Reviewed)		LIABILITIES AND EQUITY	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)		September 30, 2015 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Notes 6 and 29)	\$ 6,570,923	4	\$ 8,579,422	5	\$ 7,277,631	5	Short-term borrowings (Note 17)	\$ 13,870,109	9	\$ 14,220,938	9	\$ 13,350,000	9
Available-for-sale financial assets (Note 7)	1,256,946	1	1,028,132	1	1,060,194	1	Short-term notes and bills payable (Note 17)	7,696,897	5	10,793,487	7	17,676,940	11
Held-to-maturity financial assets	-	-	-	-	2,218	-	Accounts and notes payable	7,285,604	5	6,410,405	4	5,968,177	4
Accounts and notes receivable, net (Note 8)	15,574,850	10	15,640,120	10	15,836,886	10	Accounts payable due to related parties (Note 29)	138,636	-	91,486	-	85,660	-
Accounts receivable due from related parties (Note 29)	88,699	-	62,103	-	60,094	-	Other payables (Note 29)	9,371,937	6	11,273,991	7	10,905,911	7
Other receivables (Note 29)	1,117,546	1	1,178,226	1	1,090,414	1	Current tax liabilities	2,061,006	1	1,876,908	1	1,519,188	1
Inventories (Note 9)	2,946,229	2	4,188,213	3	2,239,636	1	Provisions (Note 19)	197,552	-	166,217	-	244,702	-
Prepayments (Note 29)	858,229	1	439,628	-	669,240	-	Advance receipts	2,379,530	2	2,288,795	2	2,209,770	2
Other financial assets (Notes 29, 30 and 31)	3,925,461	3	3,003,099	2	2,973,494	2	Long-term liabilities, current portion (Notes 17, 18 and 29)	6,252,089	4	10,267,891	7	11,343,163	7
Other current assets	49,928	-	39,846	-	55,149	-	Other current liabilities	2,087,780	2	1,842,100	1	1,504,959	1
Total current assets	<u>32,388,811</u>	<u>22</u>	<u>34,158,789</u>	<u>22</u>	<u>31,264,956</u>	<u>20</u>	Total current liabilities	<u>51,341,140</u>	<u>34</u>	<u>59,232,218</u>	<u>38</u>	<u>64,808,470</u>	<u>42</u>
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets at fair value through profit or loss	58,393	-	158,322	-	169,826	-	Bonds payable (Note 18)	11,897,420	8	14,795,938	9	14,795,527	10
Available-for-sale financial assets (Note 7)	3,355,121	2	2,664,478	2	2,327,690	2	Long-term borrowings (Notes 17 and 29)	21,483,691	14	11,682,472	7	8,608,718	6
Financial assets at cost	190,756	-	192,700	-	190,492	-	Provisions (Note 19)	1,285,057	1	1,231,244	1	1,087,645	1
Debt instrument investment without active market	393,013	-	359,062	-	360,031	-	Deferred tax liabilities	920,601	1	2,014,310	1	2,265,512	1
Investments accounted for using equity method (Note 10)	1,547,154	1	1,584,362	1	1,544,691	1	Net defined benefit liabilities	258,594	-	274,636	-	119,770	-
Property, plant and equipment (Note 13)	44,053,285	29	47,247,121	30	47,848,489	31	Guarantee deposits	863,909	1	797,787	1	804,274	-
Investment properties (Note 14)	2,371,305	2	330,165	-	304,032	-	Other non-current liabilities	711,620	-	765,344	1	765,363	-
Concessions (Notes 15 and 30)	38,532,849	26	40,445,341	26	41,077,421	27	Total non-current liabilities	<u>37,420,892</u>	<u>25</u>	<u>31,561,731</u>	<u>20</u>	<u>28,446,809</u>	<u>18</u>
Goodwill (Note 15)	15,845,930	10	15,845,930	10	15,845,930	10	Total liabilities	<u>88,762,032</u>	<u>59</u>	<u>90,793,949</u>	<u>58</u>	<u>93,255,279</u>	<u>60</u>
Other intangible assets, net (Note 15)	5,942,124	4	6,111,153	4	6,103,262	4	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Note 21)						
Deferred tax assets	691,200	-	811,782	1	774,966	-	Common stock	34,208,328	23	34,208,328	22	34,208,328	22
Other financial assets (Notes 29, 30 and 31)	126,945	-	109,366	-	109,199	-	Capital surplus	14,586,376	10	14,586,376	9	14,715,830	10
Other non-current assets (Notes 16 and 29)	5,765,401	4	6,067,102	4	6,951,120	5	Retained earnings						
Total non-current assets	<u>118,873,476</u>	<u>78</u>	<u>121,926,884</u>	<u>78</u>	<u>123,607,149</u>	<u>80</u>	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	12,507,371	8	18,311,104	12	14,678,050	9
							Other equity interests	(485,752)	-	(1,173,954)	(1)	(1,487,650)	(1)
							Treasury shares	(29,717,344)	(20)	(29,717,344)	(19)	(29,717,344)	(19)
							Total equity attributable to owners of parent	56,879,761	38	59,555,705	38	55,738,409	36
							NON-CONTROLLING INTERESTS (Note 21)	5,620,494	3	5,736,019	4	5,878,417	4
							Total equity	<u>62,500,255</u>	<u>41</u>	<u>65,291,724</u>	<u>42</u>	<u>61,616,826</u>	<u>40</u>
TOTAL	<u>\$ 151,262,287</u>	<u>100</u>	<u>\$ 156,085,673</u>	<u>100</u>	<u>\$ 154,872,105</u>	<u>100</u>	TOTAL	<u>\$ 151,262,287</u>	<u>100</u>	<u>\$ 156,085,673</u>	<u>100</u>	<u>\$ 154,872,105</u>	<u>100</u>

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 September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 22 and 29)	\$ 28,448,522	100	\$ 27,565,863	100	\$ 86,089,448	100	\$ 85,610,324	100
OPERATING COSTS (Notes 9, 29 and 34)	<u>19,027,879</u>	<u>67</u>	<u>18,192,954</u>	<u>66</u>	<u>57,516,151</u>	<u>67</u>	<u>58,228,857</u>	<u>68</u>
GROSS PROFIT FROM OPERATIONS	<u>9,420,643</u>	<u>33</u>	<u>9,372,909</u>	<u>34</u>	<u>28,573,297</u>	<u>33</u>	<u>27,381,467</u>	<u>32</u>
OPERATING EXPENSES (Notes 29 and 34)								
Marketing	3,131,121	11	3,007,778	11	9,629,660	11	9,355,931	11
Administrative	<u>1,281,512</u>	<u>4</u>	<u>1,248,310</u>	<u>4</u>	<u>3,898,455</u>	<u>4</u>	<u>3,701,085</u>	<u>4</u>
Total operating expenses	<u>4,412,633</u>	<u>15</u>	<u>4,256,088</u>	<u>15</u>	<u>13,528,115</u>	<u>15</u>	<u>13,057,016</u>	<u>15</u>
NET OTHER INCOME AND EXPENSES	<u>82,819</u>	<u>-</u>	<u>26,765</u>	<u>-</u>	<u>290,284</u>	<u>-</u>	<u>107,929</u>	<u>-</u>
OPERATING INCOME	<u>5,090,829</u>	<u>18</u>	<u>5,143,586</u>	<u>19</u>	<u>15,335,466</u>	<u>18</u>	<u>14,432,380</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 23 and 29)	169,454	1	63,648	-	310,111	-	160,019	-
Other gains and losses, net (Notes 23 and 29)	(132,622)	-	22,294	-	(321,280)	-	(60,243)	-
Finance costs (Notes 23 and 29)	(170,792)	(1)	(195,944)	(1)	(506,303)	(1)	(538,708)	(1)
Share of profit (loss) of associates accounted for using equity method	<u>8,473</u>	<u>-</u>	<u>16,898</u>	<u>-</u>	<u>33,563</u>	<u>-</u>	<u>34,062</u>	<u>-</u>
Total non-operating income and expenses	<u>(125,487)</u>	<u>-</u>	<u>(93,104)</u>	<u>(1)</u>	<u>(483,909)</u>	<u>(1)</u>	<u>(404,870)</u>	<u>(1)</u>
PROFIT BEFORE TAX	4,965,342	18	5,050,482	18	14,851,557	17	14,027,510	16
INCOME TAX EXPENSE (Note 24)	<u>839,327</u>	<u>3</u>	<u>773,247</u>	<u>3</u>	<u>2,524,942</u>	<u>3</u>	<u>1,747,206</u>	<u>2</u>
PROFIT	<u>4,126,015</u>	<u>15</u>	<u>4,277,235</u>	<u>15</u>	<u>12,326,615</u>	<u>14</u>	<u>12,280,304</u>	<u>14</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translation	(55,903)	-	6,587	-	(57,718)	-	(7,530)	-
Unrealized gains (losses) on available-for-sale financial assets	383,243	1	(627,598)	(2)	719,457	1	(1,211,163)	(1)
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>26,494</u>	<u>-</u>	<u>(17,553)</u>	<u>-</u>	<u>3,783</u>	<u>-</u>	<u>(30,879)</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>353,834</u>	<u>1</u>	<u>(638,564)</u>	<u>(2)</u>	<u>665,522</u>	<u>1</u>	<u>(1,249,572)</u>	<u>(1)</u>
COMPREHENSIVE INCOME	<u>\$ 4,479,849</u>	<u>16</u>	<u>\$ 3,638,671</u>	<u>13</u>	<u>\$ 12,992,137</u>	<u>15</u>	<u>\$ 11,030,732</u>	<u>13</u>
PROFIT ATTRIBUTABLE TO:								
Owners of parent	\$ 3,988,258	14	\$ 4,159,184	15	\$ 11,879,570	14	\$ 11,919,293	14
Non-controlling interests	<u>137,757</u>	<u>1</u>	<u>118,051</u>	<u>-</u>	<u>447,045</u>	<u>-</u>	<u>361,011</u>	<u>-</u>
	<u>\$ 4,126,015</u>	<u>15</u>	<u>\$ 4,277,235</u>	<u>15</u>	<u>\$ 12,326,615</u>	<u>14</u>	<u>\$ 12,280,304</u>	<u>14</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of parent	\$ 4,356,757	16	\$ 3,555,361	13	\$ 12,567,772	15	\$ 10,734,629	13
Non-controlling interests	<u>123,092</u>	<u>-</u>	<u>83,310</u>	<u>-</u>	<u>424,365</u>	<u>-</u>	<u>296,103</u>	<u>-</u>
	<u>\$ 4,479,849</u>	<u>16</u>	<u>\$ 3,638,671</u>	<u>13</u>	<u>\$ 12,992,137</u>	<u>15</u>	<u>\$ 11,030,732</u>	<u>13</u>
EARNINGS PER SHARE (Note 25)								
Basic earnings per share	<u>\$ 1.46</u>		<u>\$ 1.53</u>		<u>\$ 4.36</u>		<u>\$ 4.38</u>	
Diluted earnings per share	<u>\$ 1.46</u>		<u>\$ 1.52</u>		<u>\$ 4.35</u>		<u>\$ 4.37</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			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	Treasury Shares			
			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 nine months ended September 30, 2015	-	-	-	-	11,919,293	-	-	-	11,919,293	361,011	12,280,304
Other comprehensive income for the nine months ended September 30, 2015	-	-	-	-	-	(3,253)	(1,181,411)	-	(1,184,664)	(64,908)	(1,249,572)
Total comprehensive income for the nine months ended September 30, 2015	-	-	-	-	11,919,293	(3,253)	(1,181,411)	-	10,734,629	296,103	11,030,732
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(670,583)	(670,583)
BALANCE, SEPTEMBER 30, 2015	\$ 34,208,328	\$ 14,715,830	\$ 23,038,209	\$ 302,986	\$ 14,678,050	\$ 28,041	\$ (1,515,691)	\$ (29,717,344)	\$ 55,738,409	\$ 5,878,417	\$ 61,616,826
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 nine months ended September 30, 2016	-	-	-	-	11,879,570	-	-	-	11,879,570	447,045	12,326,615
Other comprehensive income for the nine months ended September 30, 2016	-	-	-	-	-	(25,977)	714,179	-	688,202	(22,680)	665,522
Total comprehensive income for the nine months ended September 30, 2016	-	-	-	-	11,879,570	(25,977)	714,179	-	12,567,772	424,365	12,992,137
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, SEPTEMBER 30, 2016	\$ 34,208,328	\$ 14,586,376	\$ 24,606,828	\$ 1,173,954	\$ 12,507,371	\$ (3,591)	\$ (482,161)	\$ (29,717,344)	\$ 56,879,761	\$ 5,620,494	\$ 62,500,255

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 Nine Months Ended September 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 14,851,557	\$ 14,027,510
Adjustments		
Depreciation expense	7,999,275	7,902,507
Amortization expense	2,376,026	2,147,026
Loss on disposal of property, plant and equipment, net	132,253	99,320
Gain on disposal of intangible assets	-	(47)
Provision for bad debt expense	291,985	306,431
Finance costs	506,303	538,708
Interest income	(122,679)	(109,877)
Dividend income	(80,168)	(21,213)
Share of profit of associates accounted for using equity method	(33,563)	(34,062)
Valuation loss on financial assets at fair value through profit or loss	94,167	43,743
Gain on disposal of investments	-	(12,634)
Gain (loss) on foreign exchange, net	25,058	(42,780)
Others	1,515	739
Changes in operating assets and liabilities		
Accounts and notes receivable	132,826	(1,170,325)
Accounts receivable due from related parties	(26,596)	(25,533)
Other receivables	68,514	(66,818)
Inventories	1,238,303	971,352
Prepayments	(430,705)	(178,507)
Other current assets	2,066	(16,606)
Other financial assets	4,720	-
Accounts and notes payable	875,199	(1,814,098)
Accounts payable due to related parties	47,150	6,268
Other payables	(1,090,276)	(1,113,580)
Provisions	44,156	42,343
Advance receipts	90,735	(54,842)
Other current liabilities	245,680	(493,776)
Net defined benefit liabilities	(16,042)	(17,012)
Net cash inflows generated from operating activities	27,227,459	20,914,237
Interest received	962	873
Interest paid	(2,093)	(449)
Income taxes paid	(3,332,113)	(2,847,360)
Net cash generated from operating activities	<u>23,894,215</u>	<u>18,067,301</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(7,809,508)	(8,898,663)
Acquisition of intangible assets	(206,095)	(4,148,626)
Increase in prepayments for equipment	(214,003)	(208,381)
Proceeds from disposal of property, plant and equipment	28,523	148,628
Proceeds from disposal of intangible assets	-	47
Purchase of available-for-sale financial assets	(200,000)	-
Proceeds from disposal of available-for-sale financial assets	-	1,192,504
Acquisition of convertible notes	-	(596,730)
Acquisition of investments accounted for using equity method	-	(670,448)

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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 Nine Months Ended September 30	
	2016	2015
Acquisition of held-to-maturity financial assets	\$ -	\$ (2,108)
Proceeds from redemption of debt investments with no active market	-	500,000
Proceeds from capital reduction of financial assets at cost	1,944	2,160
Increase in refundable deposits	(170,892)	(1,168,440)
Decrease in refundable deposits	160,048	141,459
Increase in other financial assets	(2,739,072)	(1,402,388)
Decrease in other financial assets	1,793,960	1,559,551
Interest received	67,882	88,061
Dividend received	<u>117,809</u>	<u>39,635</u>
Net cash used in investing activities	<u>(9,169,404)</u>	<u>(13,423,739)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	46,126,643	54,800,000
Decrease in short-term borrowings	(46,473,451)	(60,350,000)
Increase in short-term notes and bills payable	19,866,338	49,311,695
Decrease in short-term notes and bills payable	(22,962,122)	(37,231,065)
Proceeds from long-term borrowings	13,130,000	5,770,000
Repayment of long-term borrowings	(10,246,000)	(1,210,000)
Increase in guarantee deposits received	203,218	351,257
Decrease in guarantee deposits received	(136,317)	(365,494)
Cash dividends paid (including payments to non-controlling interests)	(15,783,271)	(15,914,229)
Interest paid	<u>(452,720)</u>	<u>(431,463)</u>
Net cash used in financing activities	<u>(16,727,682)</u>	<u>(5,269,299)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	<u>(5,628)</u>	<u>(409)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,008,499)	(626,146)
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>\$ 6,570,923</u>	<u>\$ 7,277,631</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 NINE MONTHS ENDED SEPTEMBER 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’s 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 October 28, 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
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
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 and for interest portion are classified within financing activities.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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
			September 30, 2016	December 31, 2015	September 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 Songsshan Cultural and Creative Park BOT project	49.90	49.90	49.90	-
TCC	Taiwan Fixed Network Co., Ltd. (TFN)	Fixed-line service provider	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	-
	TWM Holding Co., Ltd. (TWM Holding)	Investment	100.00	100.00	100.00	-
	TCC Investment Co., Ltd. (TCCI)	Investment	100.00	100.00	100.00	Note 1
	Taiwan Digital Communications Co., Ltd. (TDC)	Mobile phone wholesaling and TV program production	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
			September 30, 2016	December 31, 2015	September 30, 2015	
WMT	TFN Media Co., Ltd. (TFNM)	Cable broadband and value-added services provider	100.00	100.00	100.00	-
	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00	100.00	100.00	-
	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00	100.00	100.00	-
	Win TV Broadcasting Co., Ltd. (WTVB)	TV program provider	100.00	100.00	100.00	-
TFN	momo.com Inc. (momo)	Wholesale and retail sales	45.01	45.01	44.38	Note 2
	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	-
TT&T	TT&T Holdings Co., Ltd. (TT&T Holdings)	Investment	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	-
TCCI	TCCI Investment and Development Co., Ltd. (TID)	Investment	100.00	100.00	100.00	Note 1
TFNM	Taiwan Kuro Times Co., Ltd. (TKT)	Online music service	100.00	100.00	100.00	-
	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	-
	Union Cable TV Co., Ltd. (UCTV)	Cable TV service provider	99.22	99.22	99.22	-
	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV service provider	92.38	92.38	92.38	-
GFMT	UCTV	Cable TV service provider	0.76	0.76	0.76	-
GWMT	GCTV	Cable TV service provider	6.83	6.83	6.83	-
momo	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
	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	-
	Fu Sheng Travel Service Co., Ltd. (FST)	Travel agent	100.00	100.00	100.00	-
Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.00	100.00	100.00	-
Honest Development	Hongkong Yue Numerous Investment Co., Ltd. (HK Yue Numerous)	Investment	100.00	100.00	100.00	Note 4
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.00	100.00	100.00	-
HK Yue Numerous	Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo)	Investment	100.00	100.00	100.00	Note 4
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	91.30	91.30	91.30	-

(Concluded)

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

Defined benefit 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

	September 30, 2016	December 31, 2015	September 30, 2015
Cash on hand and revolving funds	\$ 163,036	\$ 79,942	\$ 102,669
Cash in banks	1,751,567	2,893,599	1,699,542
Time deposits	2,325,658	2,630,693	2,815,264
Government bonds with repurchase rights and short-term notes and bills	<u>2,330,662</u>	<u>2,975,188</u>	<u>2,660,156</u>
	<u>\$ 6,570,923</u>	<u>\$ 8,579,422</u>	<u>\$ 7,277,631</u>

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Domestic listed stock	\$ 1,782,025	\$ 215,395	\$ 214,743
Domestic emerging stock	1,813,269	937,307	908,890
Domestic unlisted stock	-	1,727,171	1,418,800
Beneficiary certificates	969,104	734,991	756,200
Foreign unlisted stock	<u>47,669</u>	<u>77,746</u>	<u>89,251</u>
	<u>\$ 4,612,067</u>	<u>\$ 3,692,610</u>	<u>\$ 3,387,884</u>
Current	\$ 1,256,946	\$ 1,028,132	\$ 1,060,194
Non-current	<u>3,355,121</u>	<u>2,664,478</u>	<u>2,327,690</u>
	<u>\$ 4,612,067</u>	<u>\$ 3,692,610</u>	<u>\$ 3,387,884</u>

8. ACCOUNTS AND NOTES RECEIVABLE, NET

	September 30, 2016	December 31, 2015	September 30, 2015
Notes receivable	\$ <u>267,725</u>	\$ <u>308,939</u>	\$ <u>56,186</u>
Accounts receivable	15,624,429	15,648,559	16,100,422
Less: Allowance for doubtful accounts	<u>(317,304)</u>	<u>(317,378)</u>	<u>(319,722)</u>
Accounts receivable, net	<u>15,307,125</u>	<u>15,331,181</u>	<u>15,780,700</u>
	<u>\$ 15,574,850</u>	<u>\$ 15,640,120</u>	<u>\$ 15,836,886</u>

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

	September 30, 2016	December 31, 2015	September 30, 2015
Neither past due nor impaired	\$ 14,967,447	\$ 15,022,116	\$ 15,421,994
Past due but not impaired			
Past due within 30 days	243,617	236,298	292,662
Past due 31-60 days	54,755	44,390	41,150
Past due 61-120 days	22,326	17,333	17,991
Past due 121-180 days	5,032	6,553	6,632
Past due over 181 days	<u>13,948</u>	<u>4,491</u>	<u>271</u>
	<u>\$ 15,307,125</u>	<u>\$ 15,331,181</u>	<u>\$ 15,780,700</u>

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

	For the Nine Months Ended September 30	
	2016	2015
Beginning balance	\$ 317,378	\$ 277,815
Add: Provision	257,499	345,927
Recovery	47,203	51,618
Less: Write-off	<u>(304,776)</u>	<u>(355,638)</u>
Ending balance	<u>\$ 317,304</u>	<u>\$ 319,722</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

	September 30, 2016	December 31, 2015	September 30, 2015
Merchandise	\$ 2,914,348	\$ 4,122,447	\$ 2,149,220
Materials for maintenance	31,881	63,652	88,517
Catering inventories	<u>-</u>	<u>2,114</u>	<u>1,899</u>
	<u>\$ 2,946,229</u>	<u>\$ 4,188,213</u>	<u>\$ 2,239,636</u>

For the three months and the nine months ended September 30, 2016, the cost of goods sold recognized in consolidated comprehensive income amounted to \$10,754,299 thousand and \$32,747,773 thousand, respectively, which included the inventory write-downs amounting to \$15,149 thousand and the inventory recovery based on net realizable value amounting to \$56,822 thousand, respectively.

For the three months and the nine months ended September 30, 2015, the cost of goods sold recognized in consolidated comprehensive income amounted to \$9,782,834 thousand and \$33,081,267 thousand, respectively, which included the inventory recovery based on net realizable value amounting to \$24,060 thousand and \$108,527 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	September 30, 2016		December 31, 2015		September 30, 2015	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
Beijing Global Guoguang Media Technology Co., Ltd. (GHS)	\$ 725,624	20.00	\$ 713,691	18.00	\$ 681,162	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	407,679	17.70	415,597	17.70	411,961	17.70
Kbro Media Co., Ltd. (Kbro Media)	258,757	32.50	277,574	32.50	276,135	32.50
TVD Shopping Co., Ltd. (TVD Shopping)	147,021	35.00	161,491	35.00	158,857	35.00
Alliance Digital Tech Co., Ltd. (ADT)	<u>8,073</u>	13.33	<u>16,009</u>	13.33	<u>16,576</u>	13.33
	<u>\$ 1,547,154</u>		<u>\$ 1,584,362</u>		<u>\$ 1,544,691</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 September 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		
	September 30, 2016	December 31, 2015	September 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 7.

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:

	September 30, 2016	December 31, 2015	September 30, 2015
Current assets	\$ 4,997,207	\$ 5,940,774	\$ 5,455,157
Non-current assets	11,669,015	11,140,732	11,150,391
Current liabilities	(3,414,237)	(3,683,020)	(3,045,452)
Non-current liabilities	<u>(264,296)</u>	<u>(267,878)</u>	<u>(259,474)</u>
Equity	<u>\$ 12,987,689</u>	<u>\$ 13,130,608</u>	<u>\$ 13,300,622</u>
Equity attributable to:			
Owners of parent	\$ 9,032,003	\$ 9,090,251	\$ 9,121,808
Non-controlling interests of momo	3,954,478	4,025,330	4,145,187
Non-controlling interests of momo's subsidiaries	<u>1,208</u>	<u>15,027</u>	<u>33,627</u>
	<u>\$ 12,987,689</u>	<u>\$ 13,130,608</u>	<u>\$ 13,300,622</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Operating revenues	<u>\$ 6,764,922</u>	<u>\$ 6,328,337</u>	<u>\$ 20,460,089</u>	<u>\$ 18,786,924</u>
Profit	\$ 249,494	\$ 241,562	\$ 878,931	\$ 751,941
Other comprehensive loss	<u>(26,565)</u>	<u>(63,415)</u>	<u>(41,114)</u>	<u>(116,378)</u>
Comprehensive income	<u>\$ 222,929</u>	<u>\$ 178,147</u>	<u>\$ 837,817</u>	<u>\$ 635,563</u>
Profit attributable to:				
Owners of parent	\$ 113,724	\$ 114,823	\$ 401,578	\$ 355,505
Non-controlling interests of momo	138,913	144,147	491,011	446,273
Non-controlling interests of momo's subsidiaries	<u>(3,143)</u>	<u>(17,408)</u>	<u>(13,658)</u>	<u>(49,837)</u>
	<u>\$ 249,494</u>	<u>\$ 241,562</u>	<u>\$ 878,931</u>	<u>\$ 751,941</u>

(Continued)

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2016	2015	2016	2015
Comprehensive income attributable to:				
Owners of parent	\$ 101,823	\$ 86,150	\$ 383,143	\$ 304,036
Non-controlling interests of momo	124,377	108,215	468,493	381,771
Non-controlling interests of momo's subsidiaries	<u>(3,271)</u>	<u>(16,218)</u>	<u>(13,819)</u>	<u>(50,244)</u>
	<u>\$ 222,929</u>	<u>\$ 178,147</u>	<u>\$ 837,817</u>	<u>\$ 635,563</u> (Concluded)

	<u>For the Nine Months Ended September 30</u>	
	2016	2015
Net cash from operating activities	\$ 536,675	\$ 326,471
Net cash from investing activities	(318,694)	1,551,344
Net cash from financing activities	(980,314)	(1,202,288)
Effect of exchange rate changes	<u>218</u>	<u>(2,261)</u>
Net increase (decrease) in cash	<u>\$ (762,115)</u>	<u>\$ 673,266</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	-	-	171,674	278,062	6,565,114	7,014,850
Reclassification	(1,568,257)	(737,412)	5,962,994	392,738	(6,393,486)	(2,343,423)
Disposals and retirements	-	(2,479)	(1,310,519)	(242,705)	(2,954)	(1,558,657)
Effect of exchange rate changes	-	-	(10,398)	(160)	-	(10,558)
Balance, September 30, 2016	<u>\$ 8,738,523</u>	<u>\$ 4,165,746</u>	<u>\$ 91,761,891</u>	<u>\$ 7,861,516</u>	<u>\$ 2,990,109</u>	<u>\$ 115,517,785</u>
<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	-	103,346	7,155,054	735,382	-	7,993,782
Reclassification	-	(259,036)	(1,353)	(665)	-	(261,054)
Disposals and retirements	-	(2,479)	(1,199,741)	(227,342)	-	(1,429,562)
Effect of exchange rate changes	-	-	(7,007)	(111)	-	(7,118)
Balance, September 30, 2016	<u>\$ 83,426</u>	<u>\$ 1,370,921</u>	<u>\$ 64,050,686</u>	<u>\$ 5,959,467</u>	<u>\$ -</u>	<u>\$ 71,464,500</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, September 30, 2016	<u>\$ 8,655,097</u>	<u>\$ 2,794,825</u>	<u>\$ 27,711,205</u>	<u>\$ 1,902,049</u>	<u>\$ 2,990,109</u>	<u>\$ 44,053,285</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	-	-	281,859	260,182	8,346,819	8,888,860
Reclassification	37,646	18,968	8,720,349	268,690	(8,995,926)	49,727
Disposals and retirements	(76,221)	(51,097)	(942,659)	(159,279)	(1,176)	(1,230,432)
Effect of exchange rate changes	-	-	1,824	914	-	2,738
Balance, September 30, 2015	<u>\$ 10,328,110</u>	<u>\$ 4,915,571</u>	<u>\$ 86,924,505</u>	<u>\$ 7,349,800</u>	<u>\$ 3,335,314</u>	<u>\$ 112,853,300</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	-	107,842	7,029,880	762,540	-	7,900,262
Reclassification	-	8,683	-	-	-	8,683
Disposals and retirements	-	(17,577)	(810,861)	(154,046)	-	(982,484)
Effect of exchange rate changes	-	-	1,391	871	-	2,262
Balance, September 30, 2015	<u>\$ 83,426</u>	<u>\$ 1,497,759</u>	<u>\$ 58,051,396</u>	<u>\$ 5,372,230</u>	<u>\$ -</u>	<u>\$ 65,004,811</u>
Carrying amount, September 30, 2015	<u>\$ 10,244,684</u>	<u>\$ 3,417,812</u>	<u>\$ 28,873,109</u>	<u>\$ 1,977,570</u>	<u>\$ 3,335,314</u>	<u>\$ 47,848,489</u>

- 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 nine months ended September 30, 2016 and 2015 were as follows:

	For the Nine Months Ended September 30	
	2016	2015
Acquisition of property, plant and equipment	\$ 7,014,850	\$ 8,888,860
Non-cash investing activities		
Changes in other payables	826,631	58,419
Changes in provisions	<u>(31,973)</u>	<u>(48,616)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 7,809,508</u>	<u>\$ 8,898,663</u>

14. INVESTMENT PROPERTIES

	September 30, 2016	December 31, 2015	September 30, 2015
Cost	\$ 2,679,691	\$ 374,022	\$ 342,758
Accumulated depreciation	<u>308,386</u>	<u>43,857</u>	<u>38,726</u>
Carrying amount	<u>\$ 2,371,305</u>	<u>\$ 330,165</u>	<u>\$ 304,032</u>
Fair value	<u>\$ 5,307,238</u>	<u>\$ 834,950</u>	<u>\$ 784,668</u>
Capitalization rate	0.8%-4.42%	0.8%-5.34%	0.80%-4.42%

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 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 nine months ended September 30, 2016 and 2015, were as follows:

	Concessions			Other Intangible Assets					Total
	Concession License	Service Concession	Goodwill	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	-	-	-	111,732	-	-	-	-	111,732
Disposals and retirements	-	-	-	(114,279)	-	-	-	-	(114,279)
Adjustment and reclassification	-	(619)	-	183,855	-	-	-	-	183,236
Effect of exchange rate changes	-	-	-	(1,386)	-	-	-	-	(1,386)
Balance, September 30, 2016	<u>\$ 42,724,375</u>	<u>\$ 8,180,078</u>	<u>\$ 15,845,930</u>	<u>\$ 3,128,421</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,866</u>	<u>\$ -</u>	<u>\$ 76,432,759</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	1,777,867	134,006	-	361,707	102,300	-	146	-	2,376,026
Disposals and retirements	-	-	-	(114,279)	-	-	-	-	(114,279)
Effect of exchange rate changes	-	-	-	(923)	-	-	-	-	(923)
Balance, September 30, 2016	<u>\$ 11,742,417</u>	<u>\$ 629,187</u>	<u>\$ -</u>	<u>\$ 2,535,366</u>	<u>\$ 1,203,763</u>	<u>\$ -</u>	<u>\$ 1,123</u>	<u>\$ -</u>	<u>\$ 16,111,856</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, September 30, 2016	<u>\$ 30,981,958</u>	<u>\$ 7,550,891</u>	<u>\$ 15,845,930</u>	<u>\$ 593,055</u>	<u>\$ 1,450,326</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,743</u>	<u>\$ -</u>	<u>\$ 60,320,903</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	329,254	-	117,902	-	-	-	-	3,880,531
Disposals and retirements	-	-	-	(4,239)	(195,108)	-	-	(5,147)	(204,494)
Adjustment and reclassification	-	(69,039)	-	193,216	-	-	-	-	124,177
Effect of exchange rate changes	-	-	-	275	-	-	-	(70)	205
Balance, September 30, 2015	<u>\$ 42,724,375</u>	<u>\$ 8,174,990</u>	<u>\$ 15,845,930</u>	<u>\$ 2,791,340</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,866</u>	<u>\$ -</u>	<u>\$ 76,090,590</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	1,586,925	132,536	-	325,116	102,300	-	149	-	2,147,026
Disposals and retirements	-	-	-	(4,239)	(195,108)	-	-	(5,147)	(204,494)
Effect of exchange rate changes	-	-	-	188	-	-	-	(70)	118
Balance, September 30, 2015	<u>\$ 9,371,928</u>	<u>\$ 450,016</u>	<u>\$ -</u>	<u>\$ 2,173,743</u>	<u>\$ 1,067,363</u>	<u>\$ -</u>	<u>\$ 927</u>	<u>\$ -</u>	<u>\$ 13,063,977</u>
Carrying amount, September 30, 2015	<u>\$ 33,352,447</u>	<u>\$ 7,724,974</u>	<u>\$ 15,845,930</u>	<u>\$ 617,597</u>	<u>\$ 1,586,726</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,939</u>	<u>\$ -</u>	<u>\$ 63,026,613</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:

	September 30, 2016	December 31, 2015	September 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 September 30, 2016.

16. OTHER NON-CURRENT ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Long-term accounts receivable	\$ 4,553,662	\$ 4,912,506	\$ 4,737,659
Refundable deposits	591,108	581,237	1,606,850
Prepayments for equipment	107,843	68,843	97,954
Others	<u>512,788</u>	<u>504,516</u>	<u>508,657</u>
	<u>\$ 5,765,401</u>	<u>\$ 6,067,102</u>	<u>\$ 6,951,120</u>

17. BORROWINGS

a. Short-term borrowings

	September 30, 2016	December 31, 2015	September 30, 2015
Unsecured loans	<u>\$ 13,870,109</u>	<u>\$ 14,220,938</u>	<u>\$ 13,350,000</u>
Annual interest rate:	0.65%-4.57%	0.82%-4.57%	0.83%-1.12%

For the information on endorsements and guarantees, see Note 31 (b) and Table 2.

b. Short-term notes and bills payable

	September 30, 2016	December 31, 2015	September 30, 2015
Short-term notes and bills payable	\$ 7,700,000	\$ 10,800,000	\$ 17,700,000
Less: Discount on short-term notes and bills payable	<u>(3,103)</u>	<u>(6,513)</u>	<u>(23,060)</u>
	<u>\$ 7,696,897</u>	<u>\$ 10,793,487</u>	<u>\$ 17,676,940</u>
Annual interest rate	0.438%-0.818%	0.642%-0.95%	0.712%-1.088%

c. Long-term borrowings

	September 30, 2016	December 31, 2015	September 30, 2015
Unsecured loans	\$ 21,864,000	\$ 18,770,000	\$ 16,770,000
Secured loans	2,972,027	3,180,363	3,181,881
Less: Current portion	<u>(3,352,336)</u>	<u>(10,267,891)</u>	<u>(11,343,163)</u>
	<u>\$ 21,483,691</u>	<u>\$ 11,682,472</u>	<u>\$ 8,608,718</u>
Annual interest rate:			
Unsecured loans	0.71%-1.9926%	1.07%-2.1406%	1.05%-2.18%
Secured loans	2.2211 %	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

	September 30, 2016	December 31, 2015	September 30, 2015
3rd domestic unsecured bonds	\$ 8,998,014	\$ 8,997,447	\$ 8,997,258
4th domestic unsecured bonds	5,799,159	5,798,491	5,798,269
Less: Current portion	<u>(2,899,753)</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,897,420</u>	<u>\$ 14,795,938</u>	<u>\$ 14,795,527</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 September 30, 2016, the amount of unamortized bond issue cost was \$1,986 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 September 30, 2016, the amount of unamortized bond issue cost was \$841 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

	September 30, 2016	December 31, 2015	September 30, 2015
Restoration	\$ 1,177,944	\$ 1,160,809	\$ 1,148,782
Decommissioning	148,411	110,876	98,968
Warranties	<u>156,254</u>	<u>125,776</u>	<u>84,597</u>
	<u>\$ 1,482,609</u>	<u>\$ 1,397,461</u>	<u>\$ 1,332,347</u>
Current	\$ 197,552	\$ 166,217	\$ 244,702
Non-current	<u>1,285,057</u>	<u>1,231,244</u>	<u>1,087,645</u>
	<u>\$ 1,482,609</u>	<u>\$ 1,397,461</u>	<u>\$ 1,332,347</u>

	Restoration	Decom- missioning	Warranties	Total
Balance, January 1, 2016	\$ 1,160,809	\$ 110,876	\$ 125,776	\$ 1,397,461
Provision	61,571	34,883	177,061	273,515
Reversal	(21,706)	-	(41,974)	(63,680)
Unwinding of discount	6,367	2,652	-	9,019
Payment	<u>(29,097)</u>	<u>-</u>	<u>(104,609)</u>	<u>(133,706)</u>
Balance, September 30, 2016	<u>\$ 1,177,944</u>	<u>\$ 148,411</u>	<u>\$ 156,254</u>	<u>\$ 1,482,609</u>
Balance, January 1, 2015	\$ 1,105,662	\$ 63,246	\$ 62,524	\$ 1,231,432
Provision	60,947	33,999	113,788	208,734
Reversal	(14,192)	-	(29,008)	(43,200)
Unwinding of discount	8,233	1,723	-	9,956
Payment	<u>(11,868)</u>	<u>-</u>	<u>(62,707)</u>	<u>(74,575)</u>
Balance, September 30, 2015	<u>\$ 1,148,782</u>	<u>\$ 98,968</u>	<u>\$ 84,597</u>	<u>\$ 1,332,347</u>

20. RETIREMENT BENEFIT PLANS

a. Defined benefit plan

The Group recognized pension amount of \$1,534 thousand and \$1,221 thousand for the three months ended September 30, 2016 and 2015, respectively, and \$4,602 thousand and \$3,642 thousand for the nine months ended September 30, 2016 and 2015, respectively, by using the actuarially determined pension cost rate.

b. Defined contribution plans

The Group contributes certain percentage of each employee's monthly wages to a personal labor pension account under the related pension act. In accordance with the above provision, the Group's contribution to the pension plan amounted to \$72,524 thousand and \$64,542 thousand for the three months ended September 30, 2016 and 2015, respectively, and \$212,745 thousand and \$192,643 thousand for the nine months ended September 30, 2016 and 2015, respectively.

21. EQUITY

a. Common stock

As of September 30, 2016, December 31, 2015 and September 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

	September 30, 2016	December 31, 2015	September 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 and changes in equity of associates accounted for using equity method 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>		

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	(29,123)	-	(29,123)
Changes in fair value of available-for-sale financial assets	-	717,238	717,238
Changes in other comprehensive income (loss) of associates accounted for using equity method	<u>3,146</u>	<u>(3,059)</u>	<u>87</u>
Balance, September 30, 2016	<u>\$ (3,591)</u>	<u>\$ (482,161)</u>	<u>\$ (485,752)</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	(2,143)	-	(2,143)
Changes in fair value of available-for-sale financial assets	-	(1,172,712)	(1,172,712)
Changes in other comprehensive income (loss) of associates accounted for using equity method	<u>(1,110)</u>	<u>(8,699)</u>	<u>(9,809)</u>
Balance, September 30, 2015	<u>\$ 28,041</u>	<u>\$ (1,515,691)</u>	<u>\$ (1,487,650)</u> (Concluded)

e. Treasury shares

As of September 30, 2016, December 31, 2015 and September 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 \$70,224,536 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 Nine Months Ended September 30	
	2016	2015
Beginning balance	\$ 5,736,019	\$ 6,252,897
Portion attributable to non-controlling interests		
Profit	447,045	361,011
Unrealized losses on available-for-sale financial assets	2,219	(38,451)
Exchange differences on translation	(28,595)	(5,387)
Share of other comprehensive income (loss) of associates accounted for using equity method	3,696	(21,070)
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>\$ 5,620,494</u>	<u>\$ 5,878,417</u>

22. OPERATING REVENUES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Telecommunication service	\$ 14,268,997	\$ 14,489,361	\$ 42,797,574	\$ 43,440,595
Sales revenue	11,264,464	10,480,367	34,635,537	34,546,811
Cable TV and broadband services	1,566,218	1,577,791	4,753,127	4,736,604
Other operating revenues	<u>1,348,843</u>	<u>1,018,344</u>	<u>3,903,210</u>	<u>2,886,314</u>
	<u>\$ 28,448,522</u>	<u>\$ 27,565,863</u>	<u>\$ 86,089,448</u>	<u>\$ 85,610,324</u>

23. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Interest income	\$ 40,020	\$ 43,101	\$ 122,679	\$ 109,877
Dividend income	70,560	10,555	80,168	21,213
Other income	<u>58,874</u>	<u>9,992</u>	<u>107,264</u>	<u>28,929</u>
	<u>\$ 169,454</u>	<u>\$ 63,648</u>	<u>\$ 310,111</u>	<u>\$ 160,019</u>

b. Other gains and losses, net

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Loss on disposal of property, plant and equipment, net	\$ (38,770)	\$ (36,420)	\$ (132,253)	\$ (99,320)
Gain on disposal of intangible assets	-	47	-	47
Valuation loss on financial assets at fair value through profit or loss	(39,682)	(52,011)	(94,167)	(43,743)
Gain on disposal of investments	-	9,974	-	12,634
Others	<u>(54,170)</u>	<u>100,704</u>	<u>(94,860)</u>	<u>70,139</u>
	<u>\$ (132,622)</u>	<u>\$ 22,294</u>	<u>\$ (321,280)</u>	<u>\$ (60,243)</u>

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Interest expense				
Bank loans	\$ 105,975	\$ 112,869	\$ 302,464	\$ 299,075
Corporate bonds	49,585	49,617	147,621	147,310
Others	<u>17,253</u>	<u>35,199</u>	<u>61,195</u>	<u>97,284</u>
	172,813	197,685	511,280	543,669
Less: Capitalized interest	<u>(2,021)</u>	<u>(1,741)</u>	<u>(4,977)</u>	<u>(4,961)</u>
	<u>\$ 170,792</u>	<u>\$ 195,944</u>	<u>\$ 506,303</u>	<u>\$ 538,708</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 September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Current income tax expense				
Current period	\$ 918,623	\$ 1,015,398	\$ 2,860,850	\$ 2,342,742
Prior years' adjustment	<u>646,334</u>	<u>287,325</u>	<u>637,217</u>	<u>(282,687)</u>
	<u>1,564,957</u>	<u>1,302,723</u>	<u>3,498,067</u>	<u>2,060,055</u>
Deferred income tax expense				
Temporary differences	<u>(725,630)</u>	<u>(529,476)</u>	<u>(973,125)</u>	<u>(312,849)</u>
Income tax expense	<u>\$ 839,327</u>	<u>\$ 773,247</u>	<u>\$ 2,524,942</u>	<u>\$ 1,747,206</u>

b. Integrated income tax information was as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Balance of TWM's imputation credit account (ICA)	<u>\$ 102,049</u>	<u>\$ 1,148,061</u>	<u>\$ 475,992</u>

As of September 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	2014
TCC	2014
WMT	2014
TNH	2014
TFN	2014
TT&T	2014
TCCI	2014
TDC	2014
TDS	2014
TFNM	2014 (2013 is still awaiting examination)
GFMT	2014
GWMT	2014
WTVB	2014
TUI	2014
TID	2014
TKT	2014
YJCTV	2014
MCTV	2014
PCTV	2014
UCTV	2014
GCTV	2014
momo	2013
FLI	2014
FPI	2014
FST	2014

TFN's income tax returns up to 2014 have been assessed by the tax authorities. TFN disagreed with the assessments of the appeal for 2010 and is planning to apply for the administrative litigation at the Taipei High Administrative Court.

25. EARNINGS PER SHARE

	For the Three Months Ended September 30, 2016		
	Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of parent	\$ 3,988,258	2,722,081	<u>\$ 1.46</u>
Effect of potential dilutive common stock	<u>-</u>	<u>3,420</u>	
Diluted EPS			
Profit attributable to owners of parent (adjusted for potential effect of common stock)	<u>\$ 3,988,258</u>	<u>2,725,501</u>	<u>\$ 1.46</u>

	For the Three Months Ended September 30, 2015		
	Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of parent	\$ 4,159,184	2,722,081	<u>\$ 1.53</u>
Effect of potential dilutive common stock	<u>-</u>	<u>2,849</u>	
Diluted EPS			
Profit attributable to owners of parent (adjusted for potential effect of common stock)	<u>\$ 4,159,184</u>	<u>2,724,930</u>	<u>\$ 1.52</u>
	For the Nine Months Ended September 30, 2016		
	Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of parent	\$ 11,879,570	2,722,081	<u>\$ 4.36</u>
Effect of potential dilutive common stock	<u>-</u>	<u>3,887</u>	
Diluted EPS			
Profit attributable to owners of parent (adjusted for potential effect of common stock)	<u>\$ 11,879,570</u>	<u>2,725,968</u>	<u>\$ 4.35</u>
	For the Nine Months Ended September 30, 2015		
	Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of parent	\$ 11,919,293	2,722,081	<u>\$ 4.38</u>
Effect of potential dilutive common stock	<u>-</u>	<u>5,196</u>	
Diluted EPS			
Profit attributable to owners of parent (adjusted for potential effect of common stock)	<u>\$ 11,919,293</u>	<u>2,727,277</u>	<u>\$ 4.37</u>

Since TWMM may settle the employees' compensation by cash or shares, TWMM 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:

	September 30, 2016	December 31, 2015	September 30, 2015
Less than one year	\$ 3,149,849	\$ 3,204,706	\$ 3,143,575
Between one and five years	4,459,195	4,815,646	4,868,463
More than five years	<u>86,456</u>	<u>104,120</u>	<u>127,063</u>
	<u>\$ 7,695,500</u>	<u>\$ 8,124,472</u>	<u>\$ 8,139,101</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 September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Minimum lease payment	\$ 906,319	\$ 886,719	\$ 2,720,472	\$ 2,653,348
Sublease payment	<u>(578)</u>	<u>(144)</u>	<u>(1,722)</u>	<u>(435)</u>
	<u>\$ 905,741</u>	<u>\$ 886,575</u>	<u>\$ 2,718,750</u>	<u>\$ 2,652,913</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:

	September 30, 2016	December 31, 2015	September 30, 2015
Less than one year	\$ 118,468	\$ 19,926	\$ 17,782
Between one and five years	420,520	22,659	19,336
More than five years	<u>167,433</u>	<u>-</u>	<u>-</u>
	<u>\$ 706,421</u>	<u>\$ 42,585</u>	<u>\$ 37,118</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

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Financial assets</u>			
Available-for-sale financial assets (including current and non-current portions)	\$ 4,612,067	\$ 3,692,610	\$ 3,387,884
Financial assets at fair value through profit or loss	<u>58,393</u>	<u>158,322</u>	<u>169,826</u>
Financial assets carried at cost	<u>190,756</u>	<u>192,700</u>	<u>190,492</u>
Held-to-maturity financial assets	<u>-</u>	<u>-</u>	<u>2,218</u>
Loans and receivables:			
Cash and cash equivalents	6,570,923	8,579,422	7,277,631
Receivables (including current and non-current portions)	21,334,757	21,792,955	21,725,053
Debt instrument investments without active market	393,013	359,062	360,031
Other financial assets (including current and non-current portions)	4,052,406	3,112,465	3,082,693
Refundable deposits	<u>591,108</u>	<u>581,237</u>	<u>1,606,850</u>
Subtotal	<u>32,942,207</u>	<u>34,425,141</u>	<u>34,052,258</u>
Total	<u>\$ 37,803,423</u>	<u>\$ 38,468,773</u>	<u>\$ 37,802,678</u>
<u>Financial liabilities</u>			
Short-term borrowings	\$ 13,870,109	\$ 14,220,938	\$ 13,350,000
Short-term notes and bills payable	7,696,897	10,793,487	17,676,940
Payables (including current and non-current portions)	17,507,797	18,541,226	17,705,367
Bonds payable (including current portion)	14,797,173	14,795,938	14,795,527
Long-term borrowings (including current portion)	24,836,027	21,950,363	19,951,881
Guarantee deposits	<u>863,909</u>	<u>797,787</u>	<u>804,274</u>
Total	<u>\$ 79,571,912</u>	<u>\$ 81,099,739</u>	<u>\$ 84,283,989</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>September 30, 2016</u>		<u>December 31, 2015</u>		<u>September 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)	\$ 14,797,173	\$ 14,995,969	\$ 14,795,938	\$ 14,965,461	\$ 14,795,527	\$ 14,894,211

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

September 30, 2016

	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Domestic listed stock	\$ 1,782,025	\$ -	\$ -	\$ 1,782,025
Domestic emerging stock	1,813,269	-	-	1,813,269
Beneficiary certificates	969,104	-	-	969,104
Foreign unlisted stocks	-	47,669	-	47,669
	<u>\$ 4,564,398</u>	<u>\$ 47,669</u>	<u>\$ -</u>	<u>\$ 4,612,067</u>
Financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,393</u>	<u>\$ 58,393</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>

September 30, 2015

	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Domestic listed stock	\$ 214,743	\$ -	\$ -	\$ 214,743
Domestic emerging stock	908,890	-	-	908,890
Domestic unlisted stocks	-	1,418,800	-	1,418,800
Beneficiary certificates	756,200	-	-	756,200
Foreign unlisted stocks	<u>-</u>	<u>89,251</u>	<u>-</u>	<u>89,251</u>
	<u>\$ 1,879,833</u>	<u>\$ 1,508,051</u>	<u>\$ -</u>	<u>\$ 3,387,884</u>
Financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,826</u>	<u>\$ 169,826</u>

Transfer between Level 1 and Level 2 for the nine months ended September 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 nine months ended September 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 September 30, 2016, December 31, 2015 and September 30, 2015, the historical volatility of stock prices was estimated at 68.94%,

55.02% and 90.23%, respectively, and the liquidity discount rate was estimated at 32.50%, 31.15% and 51.56%, respectively. Assuming all other variables are constant, an increase (or decrease) in the historical volatility of stock prices used in isolation would result in an increase (or decrease) in the liquidity discount rate. There is a positive correlation between historical volatility of stock prices and fair value and a negative correlation between liquidity discount rate and fair value. As a result, the fair value is affected by historical volatility of stock prices and liquidity discount rate.

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 Nine Months Ended September 30	
	2016	2015
Beginning balance	\$ 158,322	\$ -
Purchases	-	230,842
Current conversion	-	(33,561)
Recognized in profit or loss		
Valuation loss on financial assets at fair value through profit or loss	(94,167)	(43,743)
Unrealized gain (loss) on foreign currency exchange	<u>(5,762)</u>	<u>16,288</u>
Ending balance	<u>\$ 58,393</u>	<u>\$ 169,826</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. The Group's maximum exposure to credit risk of all kinds of financial instruments is equal to the carrying amount.

4) Liquidity risk

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

The Group manages and maintains sufficient capital to ensure the requirements of paying estimated operating expenditures, including financial obligations on each contract. The Group also monitors its bank credit facilities to ensure that the provisions of loan contracts are all complied with properly. As of September 30, 2016, December 31, 2015 and September 30, 2015, the Group had unused bank facilities of \$44,570,200 thousand, \$44,877,067 thousand and \$50,483,783 thousand, respectively.

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

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1-5 Years	More Than 5 Years
<u>September 30, 2016</u>					
Unsecured loans	\$ 35,734,109	\$ 36,102,074	\$ 17,224,761	\$ 18,877,313	\$ -
Secured loans	2,972,027	3,196,672	274,295	2,922,377	-
Short-term notes and bills payable	7,696,897	7,700,000	7,700,000	-	-
Bonds payable	<u>14,797,173</u>	<u>15,334,330</u>	<u>3,095,420</u>	<u>12,238,910</u>	<u>-</u>
	<u>\$ 61,200,206</u>	<u>\$ 62,333,076</u>	<u>\$ 28,294,476</u>	<u>\$ 34,038,600</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>September 30, 2015</u>					
Unsecured loans	\$ 30,120,000	\$ 30,400,803	\$ 24,553,774	\$ 5,798,593	\$ 48,436
Secured loans	3,181,881	3,304,589	382,719	2,921,870	-
Short-term notes and bills payable	17,676,940	17,700,000	17,700,000	-	-
Bonds payable	<u>14,795,527</u>	<u>15,529,750</u>	<u>195,420</u>	<u>15,334,330</u>	<u>-</u>
	<u>\$ 65,774,348</u>	<u>\$ 66,935,142</u>	<u>\$ 42,831,913</u>	<u>\$ 24,054,793</u>	<u>\$ 48,436</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 carefully evaluates each financial instrument transaction involving any risk such as exchange rate risk, interest rate risk, and market price risk in order to decrease potential influences caused by market uncertainty.

a) Exchange rate risk

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

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

	September 30, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 5,047	4.693	\$ 23,686
USD	38,867	31.355	1,218,674
JPY	14	0.3089	4
HKD	97,480	4.043	394,111
EUR	1,423	35.18	50,071
THB	8,213	0.9099	7,458
Non-monetary items			
RMB	154,618	4.693	725,624
HKD	26,233	4.043	106,062
THB	161,579	0.9099	147,021
<u>Foreign currency liabilities</u>			
Monetary items			
RMB	4,444	4.693	20,856
USD	10,545	31.355	330,650
JPY	5,434	0.3089	1,678
HKD	157	4.043	637
EUR	97	35.18	3,413
AUD	216	24.045	5,196
	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

September 30, 2015

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 3,117	5.151	\$ 16,055
USD	49,272	33	1,625,978
JPY	582	0.2734	159
HKD	84,838	4.258	361,242
EUR	642	36.72	23,591
Non-monetary items			
RMB	132,238	5.151	681,162
HKD	60,845	4.258	259,077
THB	174,492	0.9104	158,857

Foreign currency liabilities

Monetary items			
USD	8,444	33	278,656
JPY	8,679	0.2734	2,373
HKD	152	4.258	649
EUR	7	36.72	249

The Group's foreign exchange losses, including realized and unrealized, for the three months ended September 30, 2016 and 2015, were net exchange loss of \$48,254 thousand and net exchange gain \$103,329 thousand, respectively. For the nine months ended September 30, 2016 and 2015, net exchange loss amounted to \$83,383 thousand and net exchange gain \$77,696 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 \$66,579 thousand and \$87,253 thousand for the nine months ended September 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.

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

	September 30, 2016	December 31, 2015	September 30, 2015
Fair value interest rate risk			
Financial assets	\$ 8,882,300	\$ 8,821,624	\$ 8,667,915
Financial liabilities	44,294,070	55,289,425	60,022,467
Cash flow interest rate risk			
Financial assets	1,968,046	3,135,602	1,937,532
Financial liabilities	16,906,136	6,471,301	5,751,881

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 \$56,018 thousand and \$14,304 thousand for the nine months ended September 30, 2016 and 2015, respectively.

c) Other market price risk

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

Sensitivity analysis

If the prices of equity instruments had decreased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), for the nine months ended September 30, 2016 and 2015, other comprehensive income would have decreased by \$230,603 thousand and \$169,394 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 September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Associates	\$ 22,001	\$ 17,442	\$ 58,921	\$ 28,953
Other related parties	<u>114,785</u>	<u>68,091</u>	<u>295,609</u>	<u>158,859</u>
	<u>\$ 136,786</u>	<u>\$ 85,533</u>	<u>\$ 354,530</u>	<u>\$ 187,812</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 September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Associates	\$ 88,914	\$ 104,435	\$ 280,293	\$ 334,109
Other related parties	<u>166,144</u>	<u>80,075</u>	<u>403,297</u>	<u>206,643</u>
	<u>\$ 255,058</u>	<u>\$ 184,510</u>	<u>\$ 683,590</u>	<u>\$ 540,752</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	September 30, 2016	December 31, 2015	September 30, 2015
Accounts receivable	Associates	\$ 9,379	\$ 18,786	\$ 10,406
Accounts receivable	Other related parties	<u>79,320</u>	<u>43,317</u>	<u>49,688</u>
		<u>\$ 88,699</u>	<u>\$ 62,103</u>	<u>\$ 60,094</u>
Other receivables	Associates	\$ 72,250	\$ 88,661	\$ 58,286
Other receivables	Other related parties	<u>47,427</u>	<u>40,557</u>	<u>8,807</u>
		<u>\$ 119,677</u>	<u>\$ 129,218</u>	<u>\$ 67,093</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	September 30, 2016	December 31, 2015	September 30, 2015
Accounts payable	Associates	\$ 27,971	\$ 38,485	\$ 32,525
Accounts payable	Other related parties	<u>110,665</u>	<u>53,001</u>	<u>53,135</u>
		<u>\$ 138,636</u>	<u>\$ 91,486</u>	<u>\$ 85,660</u>
Other payables	Other related parties	<u>\$ 79,165</u>	<u>\$ 75,394</u>	<u>\$ 62,586</u>

5) Prepayments

	September 30, 2016	December 31, 2015	September 30, 2015
Other related parties	<u>\$ 48,632</u>	<u>\$ 26,445</u>	<u>\$ 36,317</u>

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

	September 30, 2016	December 31, 2015	September 30, 2015
Other related parties	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 682,500</u>

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

7) Bank deposits, time deposits and other financial assets

	September 30, 2016	December 31, 2015	September 30, 2015
Other related parties	\$ <u> 2,171,984</u>	\$ <u> 2,004,158</u>	\$ <u> 1,814,581</u>

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

The Group sold the beneficiary certificates, which had been purchased from the same identity, to the related parties in June and August 2015. The disposal amounts were \$189,843 thousand and \$390,349 thousand, which resulted in disposal losses of \$3,881 thousand and \$3,375 thousand for the three and nine months ended September 30, 2015, respectively.

9) Others

	September 30, 2016	December 31, 2015	September 30, 2015
Guarantee deposits			
Other related parties	\$ <u> 48,279</u>	\$ <u> 48,271</u>	\$ <u> 48,267</u>

For the Three Months Ended September 30		For the Nine Months Ended September 30	
2016	2015	2016	2015

Operating expenses				
Other related parties	\$ <u> 137,985</u>	\$ <u> 129,429</u>	\$ <u> 409,030</u>	\$ <u> 372,673</u>

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

For the Three Months Ended September 30		For the Nine Months Ended September 30	
2016	2015	2016	2015

Non-operating income				
Other related parties	\$ <u> 1,799</u>	\$ <u> 4,159</u>	\$ <u> 5,615</u>	\$ <u> 14,755</u>
Non-operating expenses				
Other related parties	\$ <u> -</u>	\$ <u> 11,815</u>	\$ <u> -</u>	\$ <u> 11,815</u>

c. Key management compensation

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Short-term employee benefits	\$ 68,042	\$ 69,283	\$ 216,754	\$ 218,171
Termination and post-employment benefits	<u>2,075</u>	<u>719</u>	<u>8,418</u>	<u>2,168</u>
	<u>\$ 70,117</u>	<u>\$ 70,002</u>	<u>\$ 225,172</u>	<u>\$ 220,339</u>

30. ASSETS PLEDGED

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

	September 30, 2016	December 31, 2015	September 30, 2015
Other current financial assets	\$ 2,566,659	\$ 1,079,811	\$ 1,051,925
Services concession	7,550,891	7,685,516	7,724,974
Other non-current financial assets	<u>126,945</u>	<u>109,366</u>	<u>109,199</u>
	<u>\$ 10,244,495</u>	<u>\$ 8,874,693</u>	<u>\$ 8,886,098</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	September 30, 2016	December 31, 2015	September 30, 2015
Purchases of property, plant and equipment	<u>\$ 4,695,820</u>	<u>\$ 4,905,394</u>	<u>\$ 3,564,294</u>
Purchases of cellular phones	<u>\$ 7,881,448</u>	<u>\$ 4,111,662</u>	<u>\$ 8,571,146</u>

b. As of September 30, 2016, December 31, 2015 and September 30, 2015, the amounts of endorsements and guarantees (provided to each entity in the Group) were \$21,831,580 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 \$875,786 thousand and \$14,783 thousand, respectively, as of September 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 September 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 September 30, 2016, the cable television companies had provided \$65,682 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 \$22,180 thousand and \$3,878 thousand, respectively, as of September 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 \$3,390 thousand as of September 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 September 30, 2016, \$429,812 thousand (tax included) of the concession had been paid.

3) Performance guarantee:

As of September 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 offered a counter-security deposit of \$962,000 thousand for exemption from provisional execution of the sentence. TWM and FET have appealed against the aforementioned sentences respectively. The cases are still in the judicial process at the Taiwan High Court.

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 had filed an appeal against the unfavorable portion of the judgement. On August 2, 2016, TWM received from the Taiwan High Court a ruling which partially reversed the original ruling “prohibiting TWM from using C4 spectrum block in any manner and being exempted from, or to move for revocation of the above temporary status of provisional injunction after TWM provided counter-security deposit.” FET applied for rejection of the partial reversal ruling; the rest of TWM’s claims were rejected. On August 12, 2016, TWM and FET have appealed against the judgements unfavorable to them. The cases are still in the judicial process at the Supreme Court. The outcome of the court cases is not expected to have material impact on TWM’s financial or operational aspects.

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 September 30					
	2016			2015		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 505,577	\$ 965,740	\$ 1,471,317	\$ 495,590	\$ 898,305	\$ 1,393,895
Insurance expenses	40,246	88,636	128,882	42,050	82,112	124,162
Pension	22,980	48,831	71,811	22,072	41,451	63,523
Others	24,866	60,477	85,343	26,160	57,151	83,311
Depreciation	2,566,839	111,341	2,678,180	2,522,879	121,793	2,644,672
Amortization	679,488	116,841	796,329	679,884	106,193	786,077

For the Nine Months Ended September 30

	2016			2015		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 1,516,004	\$ 3,012,006	\$ 4,528,010	\$ 1,501,469	\$ 2,786,281	\$ 4,287,750
Insurance expenses	121,426	262,124	383,550	127,192	246,961	374,153
Pension	68,738	141,783	210,521	66,435	123,097	189,532
Others	75,217	180,739	255,956	76,394	159,910	236,304
Depreciation	7,641,981	351,801	7,993,782	7,520,663	379,599	7,900,262
Amortization	2,038,326	337,700	2,376,026	1,844,911	302,115	2,147,026

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 nine months ended September 30, 2016, TWM's employees' compensation amounted to \$128,742 thousand and \$384,781 thousand, and remuneration to directors amounted to \$12,874 thousand and \$38,478 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 nine months ended September 30, 2015, TWM's bonuses to employees amounted to \$94,183 thousand and \$286,281 thousand, and remuneration to directors amounted to \$7,978 thousand and \$24,308 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 nine months ended September 30, 2016 and 2015, the depreciation expense in non-operating expenses was \$3,918 thousand, \$731 thousand, \$5,493 thousand and \$2,245 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: Table 4 (attached)
- 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- 8) Receivables from related parties of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- 9) Names, locations and related information of investees on which TWM exercised significant influence: Table 7 (attached) (excluding information on investment in Mainland China)
- 10) Trading in derivative instruments: Note 28
- 11) Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 8 (attached)

- c. Information on investment in Mainland China:

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

36. SEGMENT INFORMATION

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

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 September 30, 2016	Telecommunication	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$ 20,013,193	\$ 6,764,922	\$ 1,626,658	\$ 130,744	\$ (86,995)	\$ 28,448,522
Operating costs	12,192,406	6,002,801	789,400	87,721	(44,449)	19,027,879
Operating expenses	3,800,168	492,412	199,395	11,576	(90,918)	4,412,633
Other gains and losses, net	105,332	298	7,728	-	(30,539)	82,819
Profit	4,125,951	270,007	645,591	31,447	17,833	5,090,829
EBITDA (Note)	7,263,502	295,064	866,712	83,904	60,074	8,569,256

For the Three Months Ended September 30, 2015	Telecommunication	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$ 19,555,280	\$ 6,328,337	\$ 1,632,371	\$ 148,021	\$ (98,146)	\$ 27,565,863
Operating costs	11,749,646	5,581,328	788,999	107,239	(34,258)	18,192,954
Operating expenses	3,574,720	502,781	191,298	30,765	(43,476)	4,256,088
Other gains and losses, net	17,526	4	9,239	-	(4)	26,765
Profit	4,248,440	244,232	661,313	10,017	(20,416)	5,143,586
EBITDA (Note)	7,327,273	278,613	887,453	63,075	18,652	8,575,066

For the Nine Months Ended September 30, 2016	Telecommunication	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$ 60,563,890	\$ 20,460,089	\$ 4,914,764	\$ 428,317	\$ (277,612)	\$ 86,089,448
Operating costs	37,016,714	17,979,937	2,344,604	316,595	(141,699)	57,516,151
Operating expenses	11,499,208	1,521,501	591,375	79,978	(163,947)	13,528,115
Other gains and losses, net	296,900	165	23,758	-	(30,539)	290,284
Profit	12,344,868	958,816	2,002,543	31,744	(2,505)	15,335,466
EBITDA (Note)	21,707,545	1,033,765	2,661,832	189,239	118,386	25,710,767

For the Nine Months Ended September 30, 2015	Telecommunication	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$ 61,851,364	\$ 18,786,924	\$ 4,883,718	\$ 428,220	\$ (339,902)	\$ 85,610,324
Operating costs	39,188,066	16,502,267	2,349,353	329,473	(140,302)	58,228,857
Operating expenses	11,044,109	1,473,772	566,741	89,248	(116,854)	13,057,016
Other gains and losses, net	92,810	(1,210)	16,332	-	(3)	107,929
Profit	11,711,999	809,675	1,983,956	9,499	(82,749)	14,432,380
EBITDA (Note)	20,700,053	912,069	2,669,759	165,608	34,424	24,481,913

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 NINE MONTHS ENDED SEPTEMBER 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	\$ -	-	\$ -	\$ 22,483,912	\$ 22,483,912	Note 2
2	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	1.23100%	Short-term financing	-	Repayment of financing	-	-	-	279,078	500,178	Note 3
3	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	1.18567%-1.23100%	Transactions	557,636	-	-	-	-	557,636	989,712	Note 3
4	YJCTV	TFNM	Other receivables	Yes	470,000	470,000	470,000	1.08767%-1.23100%	Transactions	505,936	-	-	-	-	505,936	765,694	Note 3
5	WMT	TWM	Other receivables	Yes	3,000,000	2,680,000	1,310,000	1.08700%-1.29767%	Short-term financing	-	Operation requirements	-	-	-	7,957,926	7,957,926	Note 2
		TKT	Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	7,957,926	7,957,926	Note 2
		WTVB	Other receivables	Yes	600,000	600,000	-	1.11611%-1.28111%	Short-term financing	-	Operation requirements	-	-	-	7,957,926	7,957,926	Note 2
		TFNM	Other receivables	Yes	3,000,000	3,000,000	2,510,000	1.11722%-1.29789%	Short-term financing	-	Operation requirements	-	-	-	7,957,926	7,957,926	Note 2
6	TCC	TWM	Other receivables	Yes	300,000	300,000	300,000	1.23511%	Short-term financing	-	Operation requirements	-	-	-	35,219,867	35,219,867	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 NINE MONTHS ENDED SEPTEMBER 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	\$ 9,538,075 50,000	\$ - -	37.80 0.09	\$ 56,879,761 56,879,761	Y Y	N N	N N	Notes 3 and 4 Note 3
1	momo	FGE	Note 2	766,265	281,580	281,580	140,790	-	5.11	5,513,015	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)
SEPTEMBER 30, 2016

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	September 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	\$ 240,173	0.028	\$ 240,173	
	Asia Pacific Telecom Co., Ltd.	-	Non-current available-for-sale financial assets	148,255	1,541,852	3.45	1,541,852	
	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
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	1,749	7,367	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	-	
TFN	<u>Stock</u>							
	Taiwan High Speed Rail Corporation	-	Non-current available-for-sale financial assets	90,212	1,813,269	1.61	1,813,269	
TCCI	<u>Stock</u>							
	TWM	TWM	Non-current available-for-sale financial assets	200,497	22,555,886	5.86	22,555,886	
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at cost	10,000	39,627	6.67	-	
TUI	<u>Stock</u>							
	TWM	TWM	Non-current available-for-sale financial assets	410,665	46,199,844	12	46,199,844	
TID	<u>Stock</u>							
	TWM	TWM	Non-current available-for-sale financial assets	87,590	9,853,825	2.56	9,853,825	
TFNM	<u>Beneficiary Certificates</u>							
	Dragon Tiger Capital Partners Limited - Class B	-	Non-current financial assets at cost	0.2	6	0.33	-	
	Dragon Tiger Capital Partners Limited - Class C	-	Non-current financial assets at cost	0.0335	2,202	0.05	-	
	<u>Bonds</u>							
	Media Asia Group Holdings Limited - Convertible Notes	-	Non-current financial assets at fair value through profit or loss	-	58,393	-	58,393	
		-	Non-current debt instrument investment without active market	-	393,013	-	-	

(Continued)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	September 30, 2016				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
momo	<u>Beneficiary Certificates</u>							
	Fubon Strategic High Income Fund B	Related party in substance	Current available-for-sale financial assets	18,302	\$ 182,018	-	\$ 182,018	
	Fuh Hwa Emerging Market High Yield Bond Fund B	-	Current available-for-sale financial assets	10,225	66,667	-	66,667	
	PineBridge Global Multi - Strategy High Yield Bond Fund-B	-	Current available-for-sale financial assets	23,351	170,220	-	170,220	
	Eastspring Investments Global High Yield Bond Fund B	-	Current available-for-sale financial assets	19,028	166,012	-	166,012	
	JPMorgan (Taiwan) Asia High Yield Total Return Bond Fund - Monthly Distribution Share Class	-	Current available-for-sale financial assets	18,916	183,873	-	183,873	
	Eastspring Investments Well Pool Money Market Fund	-	Current available-for-sale financial assets	14,879	200,314	-	200,314	
	<u>Stock</u>							
	Media Asia Group Holdings Limited	-	Current available-for-sale financial assets	43,668	47,669	2.04	47,669	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at cost	2,400	60,000	7.73	-	

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

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

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
momo	Warehousing logistics construction	November 09, 2015	\$ 1,655,238	Has paid \$469,638 thousand. The remaining amounts will be settled monthly after the construction acceptance.	Li Jin Engineering Co., Ltd.	-	-	-	-	\$ -	Budget commitments had been approved by the Board of Directors, and determined by price comparison and price negotiation.	Business development needs	None

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 NINE MONTHS ENDED SEPTEMBER 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	\$ 692,825	1	Based on contract terms	-	-	\$ 138,313	1	Note 1	
			Purchase	3,533,876	(Note 2)	Based on contract terms	-	-	(434,149)	(Note 3)	Note 1	
	TT&T	Subsidiary	Purchase	846,903	(Note 2)	Based on contract terms	-	-	(94,609)	(Note 3)		
			Purchase	259,305	1	Based on contract terms	-	-	(82,042)	2	Note 1	
	Fubon Property & Casualty Insurance Co., Ltd.	Related party in substance	Sale	109,796	-	Based on contract terms	-	-	47,422	-		
			Purchase	217,942	1	Based on contract terms	-	-	(87,983)	(Note 3)		
TFN	TWM	Ultimate parent	Sale	3,533,876	45	Based on contract terms	-	-	434,149	52	Note 1	
			Purchase	692,825	(Note 2)	Based on contract terms	-	-	(138,313)	(Note 3)	Note 1	
	TFNM	Fellow subsidiary	Sale	113,746	1	Based on contract terms	-	-	30,441	4	Note 1	
TT&T	TWM	Ultimate parent	Sale	846,903	92	Based on contract terms	-	-	94,609	92		
TKT	TWM	Ultimate parent	Sale	259,305	88	Based on contract terms	-	-	82,042	100	Note 1	
TFNM	TFN	Fellow subsidiary	Operating costs	106,847	12	Based on contract terms	-	-	(29,896)	12		
			YJCTV	Subsidiary	Channel leasing fee	323,865	13	Based on contract terms	Note 4	Note 4	-	-
			PCTV	Subsidiary	Channel leasing fee	358,920	15	Based on contract terms	Note 4	Note 4	-	-
			UCTV	Subsidiary	Channel leasing fee	166,186	7	Based on contract terms	Note 4	Note 4	-	-
			GCTV	Subsidiary	Channel leasing fee	140,242	6	Based on contract terms	Note 4	Note 4	-	-
YJCTV	TFNM	Parent	Royalty for copyright	323,865	56	Based on contract terms	Note 4	Note 4	-	-		
PCTV	TFNM	Parent	Royalty for copyright	358,920	58	Based on contract terms	Note 4	Note 4	-	-		
UCTV	TFNM	Parent	Royalty for copyright	166,186	45	Based on contract terms	Note 4	Note 4	-	-		
GCTV	TFNM	Parent	Royalty for copyright	140,242	52	Based on contract terms	Note 4	Note 4	-	-		
MCTV	Dai-Ka Ltd.	Related party in substance	Royalty for copyright	118,370	51	Based on contract terms	Note 4	Note 4	(26,304)	83		
momo	TPE	Equity-method investee	Purchase	279,336	2	Based on contract terms	-	-	(27,921)	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
SEPTEMBER 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	\$ 138,313	5.62	\$ -	-	\$ 132,718	\$ -
			Other receivables	34,647		-	-	32,838	-
TCC	TWM	Parent	Other receivables	301,584		-	-	301,584	-
WMT	TWM	Parent	Other receivables	1,314,919		-	-	4,620	-
	TFNM	Subsidiary	Other receivables	2,520,293		-	-	95,075	-
TFN	TWM	Ultimate parent	Accounts receivable	434,149	9.92	-	-	391,373	-
			Other receivables	6,484,174		-	-	6,444,128	-
YJCTV	TFNM	Parent	Accounts receivable	7,108	7.25	-	-	-	-
			Other receivables	471,397		-	-	10,000	-
PCTV	TFNM	Parent	Accounts receivable	7,395	7.47	-	-	-	-
			Other receivables	521,641		-	-	-	-
GCTV	TFNM	Parent	Accounts receivable	4,089	6.66	-	-	-	-
			Other receivables	250,777		-	-	-	-

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 NINE MONTHS ENDED SEPTEMBER 30, 2016

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2016			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 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	\$ 18,343,244	\$ 2,687,026	\$ 429,745	Note 1
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	19,894,814	1,918,154	1,918,154	
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,652,445	(61,460)	(30,669)	
	ADT	Taiwan	Technology development of mobile payment and information processing services	30,000	30,000	3,000	13.33	8,073	(58,560)	(7,936)	
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	56,210,743	2,626,890	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	100,388	40,917	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	254,858	(5,832)	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	30,810,619	6,585	-	Note 2
	TDC	Taiwan	Mobile phone wholesaling and TV program production	112,000	112,000	11,200	100	115,802	(134)	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	25,000	2,500	100	101,300	6,907	-	Note 2
WMT	TFNM	Taiwan	Cable broadband and value added service provider	5,210,443	5,210,443	230,921	100	6,577,662	1,497,983	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	17,582	373	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	97,227	3,988	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	318,643	87,422	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,032,003	892,989	-	Notes 2 and 4
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	40,614,951	(119)	-	Note 2
	TFN HK Ltd.	Hong Kong	Telecommunications service provider	3,008	3,008	1,300	100	20,847	909	-	Note 2
TT&T	TT&T Holdings	Samoa	Investment	36,284	36,284	1,300	100	52,140	(2,278)	-	Note 2
TCCI	TID	Taiwan	Investment	3,602,782	3,602,782	104,712	100	8,668,315	(97)	-	Note 2
TFNM	TKT	Taiwan	Digital music service	129,900	129,900	12,000	100	237,267	(14,160)	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	2,173,875	88,722	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	649,893	87,227	-	Notes 2 and 5
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,404,974	160,530	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,056,099	64,119	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,267,055	60,330	-	Note 2
	Kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	258,757	(48,853)	-	Note 2
GFMT	UCTV	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	15,807	64,119	-	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	95,667	60,330	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2016			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 30, 2016	December 31, 2015	Shares (Thousands)	Percentage of Ownership	Carrying Value			
momo	Asian Crown (BVI)	British Virgin Islands	Investment	\$ 789,864	\$ 789,864	26,500	76.26	\$ 3,858	\$ (41,176)	\$ -	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	704,934	34,728	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	10,466	1,734	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	7,491	(625)	-	Note 2
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	42,861	15,736	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	407,679	76,225	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	141,717	141,717	31,150	35	147,021	66,597	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,035,051	1,035,051	33,633	100	450	(40,897)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	704,934	34,728	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,035,051	1,035,051	33,633	100	450	(40,897)	-	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 September 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 9 for details.

(Concluded)

TABLE 8

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 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	Accounts and notes receivable, net	\$ 13,788	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other receivables	34,647		-
		TNH	1	Other non-current assets	18,823		-
		TFN	1	Short-term borrowings	6,380,000		4
		WMT	1	Short-term borrowings	1,310,000		1
		TCC	1	Short-term borrowings	300,000		-
		TKT	1	Accounts payable	81,932		-
		TFN	1	Other payables	497,918		-
		TT&T	1	Other payables	94,604		-
		TDS	1	Other payables	19,849		-
		TFN	1	Other current liabilities	34,638		-
		TFN	1	Operating revenues	692,825		1
		momo	1	Operating revenues	82,747		-
		TFN	1	Operating costs	3,418,494		4
		TKT	1	Operating costs	259,305		-
		TDS	1	Operating costs	88,959		-
		TNH	1	Operating costs	23,294		-
		TT&T	1	Operating expenses	846,859		1
		TNH	1	Operating expenses	67,162		-
		TFN	1	Operating expenses	144,206		-
		momo	1	Other income	31,057		-
		TFN	1	Other income	28,730		-
		TFN	1	Finance costs	57,477		-
WMT	1	Finance costs	14,864	-			
TFN	1	Net other income and expenses	24,895	-			
1	WMT	TFNM	1	Other receivables	2,520,293	-	2
		TFNM	1	Other income	19,311	-	-
2	momo	FST	1	Accounts and notes receivable, net	17,201	-	-
		TFNM	3	Accounts payables	12,015	-	-
		TFNM	3	Operating costs	73,235	-	-

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets	
				Account	Amount	Transaction Terms		
3	TFN	TFNM	3	Accounts and notes receivable, net	\$ 30,441	The terms of transaction are determined in accordance with mutual agreements or general business practices	-	
		TFN HK Ltd.	1	Other payables	11,612		"	-
		TFNM	3	Operating revenues	113,746		"	-
		TFN HK Ltd.	1	Operating costs	68,573		"	-
		TT&T	3	Operating expenses	73,042		"	-
4	TFNM	PCTV	1	Accounts and notes receivable, net	31,835		-	
		YJCTV	1	Accounts and notes receivable, net	31,698		"	-
		UCTV	1	Accounts and notes receivable, net	22,786		"	-
		GCTV	1	Accounts and notes receivable, net	14,676		"	-
		MCTV	1	Accounts and notes receivable, net	13,773		"	-
		PCTV	1	Short-term borrowings	520,000		"	-
		YJCTV	1	Short-term borrowings	470,000		"	-
		GCTV	1	Short-term borrowings	250,000		"	-
		WTVB	3	Notes payable	17,621		"	-
		PCTV	1	Operating revenues	390,300		"	-
		YJCTV	1	Operating revenues	352,048		"	-
		UCTV	1	Operating revenues	166,186		"	-
		GCTV	1	Operating revenues	152,817		"	-
		MCTV	1	Operating revenues	12,327		"	-
		WTVB	3	Operating costs	50,346		"	-
		PCTV	1	Operating costs	27,028		"	-
		YJCTV	1	Operating costs	25,605		"	-
		UCTV	1	Operating costs	17,290		"	-
GCTV	1	Operating costs	11,107	"	-			

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 NINE MONTHS ENDED SEPTEMBER 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 September 30, 2016	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of September 30, 2016	Accumulated Inward Remittance of Earnings as of September 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	\$ 40,762	\$ -	\$ -	\$ 40,762	\$ -	100	\$ -	\$ -	\$ -	Note 2
TWMC	Mobile application development and design	94,065	b	152,762	-	-	152,762	429	100	429	107,580	-	
FGE	Wholesaling	1,079,390	b	766,265	-	-	766,265	(44,650)	69.63	(31,090)	59	-	
Haobo	Investment	51,623	b	-	-	-	-	34,728	100	34,728	704,934	-	
GHS	Wholesaling	61,347	b	-	-	-	-	198,911	20	33,313	725,624	-	Note 3

Company	Accumulated Investment in Mainland China as of September 30, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
TWM and subsidiaries	\$1,641,192	\$1,720,692	\$37,500,153

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 September 30, 2016.