Taiwan Mobile Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015 and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Taiwan Mobile Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), IFRIC Interpretations ("IFRIC"), and SIC Interpretations ("SIC") endorsed by the Financial Supervisory Commission ("FSC") of Taiwan, the Republic of China ("ROC").

The Basis of Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants ("CPA") and auditing standards generally accepted in the ROC. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the CPA Ethical Standards, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2016 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of 2016 consolidated financial statements are as follow:

The Impairment Loss of Property, Plant and Equipment and Intangible Assets (Including Goodwill)

The description of key audit matter:

The consolidated balances of property, plant and equipment and intangible assets including goodwill amounted to $42,415,229 thousand and $59,677,982 thousand, respectively as of December 31, 2016. On each balance sheet date, the Group reviews for indication of impairment of the tangible and intangible assets. If any indication thereof exists, the Group then estimates the recoverable amount of the assets. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will determine the recoverable amount for the asset's cash-generating unit. Because the aforementioned tangible and intangible assets amounted to $102,093,211 thousand (67% of total consolidated assets) and the calculation for recoverable amount involved several assumptions and estimations, which directly impacts the amount recognized as impairment losses, we believe that the review of impairment of assets is a Key Audit Matter item.

Corresponding audit procedure:

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

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

2. Evaluate and consult with the internal experts of the CPA firm the appropriateness of the assumptions and sensitivity analyses including the classification of cash-generating units, forecast of cash flows, and discount rate for the management to assess the assets impairment.

Telecommunication Service Revenue

The description of key audit matter:

The source of the major operating revenue of the Group is the telecommunication service revenue. For the year ended December 31, 2016, the telecommunication service revenue amounted to $56,849,968 thousand. Because nowadays the telecommunication industry is more competitive where the calculation of the service revenue becomes more complex and cumbersome, and relies highly on automatic, systematic connection and implementation, the telecommunication service revenue is considered as one of the key audit matters.

Corresponding audit procedure:

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

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

2. Perform the dialing test to verify the completeness of the information in the telephone-exchange.

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

4. Test for the accuracy of billing calculation.

5. Verify the accuracy of the billing amounts generated from monthly rental as well as airtime accounting system.

Other Matter

We have also audited the parent company only financial statements of Taiwan Mobile Co., Ltd. as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified and a modified unqualified report, respectively.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China
January 25, 2017

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

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	December 31, 2016		December 31, 2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 29)	$ 7,704,517	5	$ 8,579,422	5
Available-for-sale financial assets (Notes 7 and 29)	1,231,871	1	1,028,132	1
Accounts and notes receivable, net (Note 8)	15,331,965	10	15,656,266	10
Accounts receivable due from related parties (Note 29)	83,541	-	62,103	-
Other receivables (Note 29)	1,287,274	1	1,178,226	1
Inventories (Note 9)	4,071,748	3	4,188,213	3
Prepayments (Note 29)	500,558	-	439,628	-
Other financial assets (Notes 29 and 30)	4,018,764	3	3,003,099	2
Other current assets	49,874	-	39,846	-
Total current assets	34,280,112	23	34,174,935	22
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss	42,030	-	158,322	-
Available-for-sale financial assets (Note 7)	3,194,347	2	2,664,478	2
Financial assets at cost	188,548	-	192,700	-
Debt instrument investment without active market	423,481	-	359,062	-
Investments accounted for using equity method (Notes 10 and 29)	1,564,265	1	1,584,362	1
Property, plant and equipment (Notes 5 and 13)	42,415,229	28	47,247,121	30
Investment properties, net (Note 14)	2,951,079	2	330,165	-
Concessions (Notes 5, 15 and 30)	37,864,311	25	40,445,341	26
Goodwill (Notes 5 and 15)	15,845,930	10	15,845,930	10
Other intangible assets, net (Notes 5 and 15)	5,967,741	4	6,111,153	4
Deferred tax assets (Note 24)	708,656	1	811,782	1
Other financial assets (Notes 29, 30 and 31)	125,953	-	109,366	-
Other non-current assets (Notes 16 and 29)	5,805,723	4	6,050,956	4
Total non-current assets	117,097,293	77	121,910,738	78
TOTAL	$ 151,377,405	100	$ 156,085,673	100

	December 31, 2016		December 31, 2015	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 29)	$ 7,363,005	5	$ 14,220,938	9
Short-term notes and bills payable (Note 17)	-	-	10,793,487	7
Accounts and notes payable	7,114,164	5	6,410,405	4
Accounts payable due to related parties (Note 29)	145,982	-	91,486	-
Other payables (Note 29)	9,822,578	6	11,273,991	7
Current tax liabilities	2,221,519	1	1,876,908	1
Provisions (Note 19)	202,873	-	166,217	-
Advance receipts	2,637,194	2	2,288,795	2
Long-term liabilities, current portion (Notes 17 and 18)	6,252,767	4	10,267,891	7
Other current liabilities	2,384,515	2	1,842,100	1
Total current liabilities	38,144,597	25	59,232,218	38
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss (Note 18)	41,961	-	-	-
Bonds payable (Note 18)	21,459,896	14	14,795,938	9
Long-term borrowings (Note 17)	21,447,691	14	11,682,472	7
Provisions (Note 19)	1,305,688	1	1,231,244	1
Deferred tax liabilities (Note 24)	822,880	1	2,014,310	1
Net defined benefit liabilities (Note 20)	369,322	-	274,636	-
Guarantee deposits	887,163	1	797,787	1
Other non-current liabilities	711,672	-	765,344	1
Total non-current liabilities	47,046,273	31	31,561,731	20
Total liabilities	85,190,870	56	90,793,949	58
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 21)				
Common stock	34,208,328	23	34,208,328	22
Capital surplus	14,985,047	10	14,586,376	9
Retained earnings				
Legal reserve	24,606,828	16	23,038,209	15
Special reserve	1,173,954	1	302,986	-
Unappropriated earnings	15,850,111	10	18,311,104	12
Other equity interests	(690,034)	-	(1,173,954)	(1)
Treasury shares	(29,717,344)	(20)	(29,717,344)	(19)
Total equity attributable to owners of the parent	60,416,890	40	59,555,705	38
NON-CONTROLLING INTERESTS (Note 21)	5,769,645	4	5,736,019	4
Total equity	66,186,535	44	65,291,724	42
TOTAL	$ 151,377,405	100	$ 156,085,673	100

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDTAED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 22 and 29)	$ 116,647,498	100	$ 116,144,205	100
OPERATING COSTS (Notes 29 and 34)	78,790,518	68	79,785,135	69
GROSS PROFIT FROM OPERATIONS	37,856,980	32	36,359,070	31
OPERATING EXPENSES (Notes 29 and 34)				
Marketing	12,977,366	11	12,820,487	11
Administrative	5,283,030	4	5,074,014	4
Total operating expenses	18,260,396	15	17,894,501	15
NET OTHER INCOME AND EXPENSES	423,182	-	304,580	-
OPERATING INCOME	20,019,766	17	18,769,149	16
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 29)	379,957	-	448,789	-
Other gains and losses, net (Notes 23 and 29)	(586,636)	-	(388,633)	-
Finance costs (Notes 23 and 29)	(673,439)	-	(730,917)	-
Share of profit (loss) of associates accounted for using equity method (Note 10)	51,824	-	67,562	-
Total non-operating income and expenses	(828,294)	-	(603,199)	-
PROFIT BEFORE TAX	19,191,472	17	18,165,950	16
INCOME TAX EXPENSE (Note 24)	3,263,029	3	1,997,921	2
PROFIT	15,928,443	14	16,168,029	14
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Re-measurements from defined benefit plans	(98,443)	-	(133,738)	-
Share of other comprehensive income (loss) of associates accounted for using equity method	(472)	-	(1,275)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation	(69,331)	-	(12,254)	-
Unrealized gains (losses) on available-for-sale financial assets	533,608	-	(907,330)	(1)
Share of other comprehensive income (loss) of associates accounted for using equity method	(14,059)	-	(36,512)	-
Other comprehensive loss (after tax)	351,303	-	(1,091,109)	(1)
COMPREHENSIVE INCOME	$ 16,279,746	14	$ 15,076,920	13
PROFIT ATTRIBUTABLE TO:				
Owners of the parent	$ 15,320,187	14	$ 15,686,186	14
Non-controlling interests	608,256	-	481,843	-
	$ 15,928,443	14	$ 16,168,029	14
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	$ 15,706,230	14	$ 14,681,379	13
Non-controlling interests	573,516	-	395,541	-
	$ 16,279,746	14	$ 15,076,920	13
EARNINGS PER SHARE (Note 25)				
Basic earnings per share	$ 5.63		$ 5.76	
Diluted earnings per share	$ 5.60		$ 5.75	

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)

	Equity Attributable to Owners of the Parent										
			Retained Earnings			Other Equity Interests					
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares	Total	Non-controlling Interests	Total Equity
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 year ended December 31, 2015	-	-	-	-	15,686,186	-	-	-	15,686,186	481,843	16,168,029
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	(133,839)	(8,908)	(862,060)	-	(1,004,807)	(86,302)	(1,091,109)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	15,552,347	(8,908)	(862,060)	-	14,681,379	395,541	15,076,920
Changes in equity of associates accounted for using equity method	-	11,203	-	-	-	-	-	-	11,203	14,038	25,241
Adjustments arising from changes in percentage of ownership of subsidiaries	-	(140,657)	-	-	-	-	-	-	(140,657)	(255,874)	(396,531)
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(670,583)	(670,583)
BALANCE, DECEMBER 31, 2015	34,208,328	14,586,376	23,038,209	302,986	18,311,104	22,386	(1,196,340)	(29,717,344)	59,555,705	5,736,019	65,291,724
Distribution of 2015 earnings											
Legal reserve	-	-	1,568,619	-	(1,568,619)	-	-	-	-	-	-
Special reserve	-	-	-	870,968	(870,968)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(15,243,655)	-	-	-	(15,243,655)	-	(15,243,655)
Total distribution of earnings	-	-	1,568,619	870,968	(17,683,242)	-	-	-	(15,243,655)	-	(15,243,655)
Profit for the year ended December 31, 2016	-	-	-	-	15,320,187	-	-	-	15,320,187	608,256	15,928,443
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	(97,877)	(31,519)	515,439	-	386,043	(34,740)	351,303
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	15,222,310	(31,519)	515,439	-	15,706,230	573,516	16,279,746
Equity component of convertible bonds issued by the Company	-	400,564	-	-	-	-	-	-	400,564	-	400,564
Changes in equity of associates accounted for using equity method	-	(1,893)	-	-	(61)	-	-	-	(1,954)	(75)	(2,029)
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(539,625)	(539,625)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(190)	(190)
BALANCE, DECEMBER 31, 2016	$ 34,208,328	$ 14,985,047	$ 24,606,828	$ 1,173,954	$ 15,850,111	$ (9,133)	$ (680,901)	$(29,717,344)	$ 60,416,890	$ 5,769,645	$ 66,186,535

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 19,191,472	$ 18,165,950
Adjustments		
Depreciation expense	10,650,126	10,576,173
Amortization expense	3,201,689	2,939,619
Loss on disposal of property, plant and equipment, net	457,819	332,085
Gain on disposal of intangible assets	-	(47)
Provision for bad debt expense	385,004	395,016
Finance costs	673,439	730,917
Interest income	(164,174)	(154,760)
Dividend income	(80,168)	(21,213)
Share of profit of associates accounted for using equity method	(51,824)	(67,562)
Valuation loss on financial assets and liabilities at fair value through profit or loss	118,234	68,618
Impairment loss on financial assets	2,209	-
Gain on disposal of investments, net	-	(12,437)
Gain (loss) on foreign exchange, net	12,075	(40,004)
Others	1,366	1,629
Changes in operating assets and liabilities		
Financial assets held for trading	-	1,478
Accounts and notes receivable	187,756	(1,234,205)
Accounts receivable due from related parties	(21,438)	(27,542)
Other receivables	(106,626)	(182,688)
Inventories	112,784	(977,225)
Prepayments	(62,050)	55,247
Other current assets	1,502	(4,528)
Other financial assets	5,254	(5,319)
Accounts and notes payable	703,759	(1,371,871)
Accounts payable due to related parties	54,496	12,094
Other payables	(358,829)	(229,022)
Provisions	54,911	91,006
Advance receipts	348,399	24,183
Other current liabilities	542,415	(156,635)
Net defined benefit liabilities	(23,920)	(23,276)
Net cash inflows generated by operating activities	35,835,680	28,885,681
Interest received	1,374	1,194
Interest paid	(2,414)	(601)
Income taxes paid	(4,004,476)	(3,080,538)
Net cash generated by operating activities	31,830,164	25,805,736

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TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	$ (9,932,672)	$ (11,585,672)
Acquisition of intangible assets	(274,594)	(4,180,118)
Increase in prepayments for equipment	(280,998)	(288,176)
Proceeds from disposal of property, plant and equipment	29,416	150,937
Proceeds from disposal of intangible assets	-	47
Acquisition 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	(30,000)	(670,448)
Acquisition of financial assets at cost	-	(2,108)
Proceeds from redemption of debt investments with no active market	-	500,000
Proceeds from capital return of financial assets at cost	1,944	2,160
Increase in refundable deposits	(212,008)	(1,222,077)
Decrease in refundable deposits	195,335	1,219,549
Increase in other financial assets	(2,861,536)	(2,127,122)
Decrease in other financial assets	1,823,478	2,259,551
Interest received	87,859	115,539
Dividend received	125,820	52,621
Net cash used in investing activities	(11,527,956)	(15,179,543)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short-term borrowings	(6,853,000)	(4,679,062)
Increase (decrease) in short-term notes and bills payable	(10,792,680)	5,203,447
Proceeds from issue of convertible bonds	9,989,130	-
Proceeds from long-term borrowings	13,130,000	8,770,000
Repayment of long-term borrowings	(10,282,000)	(2,210,000)
Increase in guarantee deposits received	295,340	388,216
Decrease in guarantee deposits received	(204,589)	(405,335)
Cash dividends paid (including paid to non-controlling interests)	(15,783,271)	(15,914,229)
Interest paid	(669,893)	(704,786)
Decrease in non-controlling interests	-	(397,175)
Net cash used in financing activities	(21,170,963)	(9,948,924)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	(6,150)	(1,624)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(874,905)	675,645
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,579,422	7,903,777
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,704,517	$ 8,579,422

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

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Taiwan Mobile Co., Ltd. ("TWM") was incorporated in Taiwan, the ROC on February 25, 1997. TWM's 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 January 25, 2017.

3. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed by the FSC (collectively, the "IFRSs") for application starting from 2017.

   Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
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 initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group's accounting policies, except for the following:

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

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

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

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

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

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 9 and 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 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4"Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
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
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
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 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

Statement of Compliance

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

Basis of Preparation

a. Basis of measurement

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

b. Functional and presentation currency

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

Basis of Consolidation

a. Principles of preparation of consolidated financial statements

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

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

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

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

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

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

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

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

(Continued)

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

(Concluded)

Note 1: TCCI, TUI and TID collectively owned 698,752 thousand shares of TWM representing 20.42% of total outstanding shares as of December 31, 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.

Foreign Currency

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

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

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

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

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

Classification of Current and Non-current Assets and Liabilities

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

a. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

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

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

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

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

a. It expects to settle the liability in its normal operating cycle;

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

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

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

Cash and Cash Equivalents

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

Financial Instruments

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

a. Financial assets

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

   1) Financial assets at fair value through profit or loss

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

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

   2) Available-for-sale financial assets

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

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

3) Loans and receivables

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

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

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

5) Derecognition of financial assets

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

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

b. Financial liabilities

1) Recognition

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

2) Convertible bonds

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

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

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

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

3) Derivative financial instruments

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

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

4) Derecognition of financial liabilities

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

Inventories

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

Non-current Assets Held for Sale

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

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

Investment in Associates

An associate is an entity in which the Group has significant influence over the financial and operating policies, but is neither a subsidiary nor an interest in a joint venture.

Investments in associates are accounted for using equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses. Goodwill is not amortized. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

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

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

Land has an unlimited useful life and therefore is not depreciated. For the estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment, see Note 13 to the consolidated financial statements for details.

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

Investment Property

Investment property is a property held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Leases

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

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

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

Intangible Assets

a. Goodwill

   Goodwill acquired in a business combination is included in intangible assets, and is measured at cost less accumulated impairment losses.

b. Service concession agreement

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

c. Other intangible assets

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

d. Amortization

   Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date that they are available for use. For the estimated useful lives for the current and comparative periods, see Note 15 to the consolidated financial statements for details.

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

Impairment of Non-financial Assets

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

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

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

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

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

Provisions

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

a. Restoration

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

b. Decommissioning

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

c. Warranties

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

Treasury Shares

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

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

Government Grants

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

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

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

Employee Benefits

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

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

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

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

Income Tax

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

a. Current taxes

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

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

b. Deferred taxes

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

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

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

3) Initial recognition of goodwill.

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

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

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

Revenue

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

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

b. Sales of goods

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

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

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

3) The amount can be reliably measured;

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

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

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

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

d. Customer loyalty program

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

e. Commissions

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

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

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

g. Dividend and interest income

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

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

Business Combination

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

b. Impairment assessment of goodwill

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	**2015**
Cash on hand and revolving funds	$ 149,138	$ 79,942
Cash in banks	2,098,137	2,893,599
Time deposits	2,394,640	2,630,693
Government bonds with repurchase rights and short-term notes and bills	3,062,602	2,975,188
	$ 7,704,517	$ 8,579,422

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	**2015**
Domestic listed stock	$ 3,414,959	$ 215,395
Domestic emerging stock	-	937,307
Domestic unlisted stock	-	1,727,171
Beneficiary certificates	965,833	734,991
Foreign unlisted stock	45,426	77,746
	$ 4,426,218	$ 3,692,610

(Continued)

	December 31	
	2016	2015
Current	$ 1,231,871	$ 1,028,132
Non-current	3,194,347	2,664,478
	$ 4,426,218	$ 3,692,610

(Concluded)

8. ACCOUNTS AND NOTES RECEIVABLE, NET

	December 31	
	2016	2015
Notes receivable	$ 265,974	$ 308,939
Accounts receivable	15,681,563	15,940,068
Less: Allowance for doubtful accounts	(615,572)	(592,741)
Accounts receivable, net	15,065,991	15,347,327
	$ 15,331,965	$ 15,656,266

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

	December 31	
	2016	2015
Neither past due nor impaired	$ 14,730,088	$ 15,022,116
Past due but not impaired		
Past due within 30 days	217,750	236,298
Past due 31-60 days	77,494	44,390
Past due 61-120 days	24,391	23,182
Past due 121-180 days	9,833	12,884
Past due over 181 days	6,435	8,457
	$ 15,065,991	$ 15,347,327

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

	For the Year Ended December 31	
	2016	2015
Beginning balance (after reclassified)	$ 592,741	$ 587,502
Add: Provision	387,597	387,020
Recovery	58,266	70,823
Less: Write-off	(422,947)	(452,604)
Effect of exchange rate changes	(85)	-
Ending balance	$ 615,572	$ 592,741

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
February 2016		
Long Sun Asset Management Co., Ltd.	$ 845,385	$ 46,644
January 2015		
Long Sun Asset Management Co., Ltd.	$ 626,514	$ 31,025

9. INVENTORIES

	December 31	
	2016	2015
Merchandise	$ 4,041,274	$ 4,122,447
Materials for maintenance	30,474	63,652
Catering inventories	-	2,114
	$ 4,071,748	$ 4,188,213

For the years ended December 31, 2016 and 2015, the cost of goods sold recognized in consolidated comprehensive income amounted to $45,749,379 thousand and $46,080,547 thousand, respectively, which included the inventory recovery based on net realizable value amounting to $33,278 thousand and $73,765 thousand, respectively.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

	December 31			
	2016		2015	
Investee Company	Amount	% of Ownership	Amount	% of Ownership
Beijing Global Guoguang Media Technology Co., Ltd. (GHS)	$ 736,742	20.00	$ 713,691	18.00
Taiwan Pelican Express Co., Ltd. (TPE)	402,464	17.70	415,597	17.70
Kbro Media Co., Ltd. (Kbro Media)	243,670	32.50	277,574	32.50
TVD Shopping Co., Ltd. (TVD shopping)	147,521	35.00	161,491	35.00
Alliance Digital Tech Co., Ltd. (ADT)	33,868	14.40	16,009	13.33
	$ 1,564,265		$ 1,584,362	

Aggregate information of associates that are not individually material:

	December 31	
	2016	2015
The Group's share of:		
Profit	$ 51,824	$ 67,562
Other comprehensive income (loss)	(14,531)	(37,787)
Comprehensive income	$ 37,293	$ 29,775

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 having a seat 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 December 31, 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% as TWM did not subscribe for any newly issued ADT shares. In December 2016, TWM increased its percentage of ownership interests in ADT to 14.40% by paying $30,000 thousand to subscribe for new shares issued by ADT. TWM still has significant influence on ADT due to having a seat on ADT's board of directors.

11. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

	Proportion of Non-controlling Interests' Ownership and Voting Rights	
	December 31	
Subsidiary	**2016**	**2015**
momo	54.99%	54.99%

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

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

	December 31	
	2016	**2015**
Current assets	$ 5,715,073	$ 5,940,774
Non-current assets	11,869,693	11,140,732
Current liabilities	(4,066,357)	(3,683,020)
Non-current liabilities	(265,341)	(267,878)
Equity	$ 13,253,068	$ 13,130,608
Equity attributable to:		
Owners of the parent	$ 9,152,791	$ 9,090,251
Non-controlling interests of momo	4,102,018	4,025,330
Non-controlling interests of momo's subsidiaries	(1,741)	15,027
	$ 13,253,068	$ 13,130,608

	For the Year Ended December 31	
	2016	**2015**
Operating revenues	$ 28,080,788	$ 25,639,898
Profit	$ 1,166,228	$ 992,290
Other comprehensive loss	(63,032)	(154,807)
Comprehensive income	$ 1,103,196	$ 837,483
Profit attributable to:		
Owners of the parent	$ 532,229	$ 471,100
Non-controlling interests of momo	650,598	588,882
Non-controlling interests of momo's subsidiaries	(16,599)	(67,692)
	$ 1,166,228	$ 992,290
Comprehensive income attributable to:		
Owners of the parent	$ 503,931	$ 402,578
Non-controlling interests of momo	616,033	503,749
Non-controlling interests of momo's subsidiaries	(16,768)	(68,844)
	$ 1,103,196	$ 837,483

(Continued)

	For the Year Ended December 31	
	2016	2015
Net cash from operating activities	$ 1,206,149	$ 1,130,175
Net cash from investing activities	(601,863)	1,565,304
Net cash from financing activities	(987,194)	(1,525,290)
Effect of exchange rate changes	186	(318)
Net increase (decrease) in cash	$ (382,722)	$ 1,169,871
Dividend paid to non-controlling interests	$ (539,079)	$ (670,016)

(Concluded)

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	644
Capital surplus - changes in equity of subsidiaries	$ (140,657)

13. PROPERTY, PLANT AND EQUIPMENT

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

(Continued)

	Land	Buildings	Telecommunication Equipment and Machinery	Miscellaneous Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost						
Balance, January 1, 2015	$ 10,366,685	$ 4,947,700	$ 78,863,132	$ 6,979,293	$ 3,985,597	$ 105,142,407
Additions	-	-	331,689	386,922	10,511,962	11,230,573
Reclassification	16,316	9,034	11,243,747	417,198	(11,673,104)	13,191
Disposals and retirements	(76,221)	(51,097)	(3,485,863)	(348,799)	(3,020)	(3,965,000)
Effect of exchange rate changes	-	-	(4,565)	(1,033)	-	(5,598)
Balance, December 31, 2015	$ 10,306,780	$ 4,905,637	$ 86,948,140	$ 7,433,581	$ 2,821,435	$ 112,415,573
Accumulated depreciation and impairment						
Balance, January 1, 2015	$ 83,426	$ 1,398,811	$ 51,830,986	$ 4,762,865	$ -	$ 58,076,088
Depreciation	-	143,531	9,427,459	1,002,164	-	10,573,154
Reclassification	-	4,325	-	-	-	4,325
Disposals and retirements	-	(17,577)	(3,152,202)	(312,199)	-	(3,481,978)
Effect of exchange rate changes	-	-	(2,510)	(627)	-	(3,137)
Balance, December 31, 2015	$ 83,426	$ 1,529,090	$ 58,103,733	$ 5,452,203	$ -	$ 65,168,452
Carrying amount, December 31, 2015	$ 10,223,354	$ 3,376,547	$ 28,844,407	$ 1,981,378	$ 2,821,435	$ 47,247,121

(Concluded)

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

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

b. The non-cash investing activities of the Group for the years ended December 31, 2016 and 2015 were as follows:

	For the Year Ended December 31	
	2016	2015
Acquisition of property, plant and equipment	$ 8,939,226	$ 11,230,573
Non-cash investing activities		
Changes in other payables	1,037,732	417,039
Changes in provisions	(44,286)	(61,940)
Cash paid for acquisition of property, plant and equipment	$ 9,932,672	$ 11,585,672

14. INVESTMENT PROPERTIES

	December 31 2016	December 31 2015
Cost	$ 3,391,362	$ 374,022
Accumulated depreciation	440,283	43,857
Carrying amount	$ 2,951,079	$ 330,165
Fair value	$ 6,691,275	$ 834,950
Capitalization rate	0.94%-5.23%	0.8%-5.34%

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

	Concessions			Other Intangible Assets					
	Concession License	Service Concession	Goodwill	Computer Software	Customer Relationship	Operating Rights	Trademarks	Others	Total
Cost									
Balance, January 1, 2016	$ 42,724,375	$ 8,180,697	$ 15,845,930	$ 2,948,499	$ 2,654,089	$ 1,382,000	$ 2,517,866	$ -	$ 76,253,456
Addition	-	-	-	174,670	-	-	-	-	174,670
Disposals and retirements	-	-	-	(135,811)	-	-	-	-	(135,811)
Adjustment and reclassification	-	(619)	-	303,759	-	-	-	-	303,140
Effect of exchange rate changes	-	-	-	(1,702)	-	-	-	-	(1,702)
Balance, December 31, 2016	$ 42,724,375	$ 8,180,078	$ 15,845,930	$ 3,289,415	$ 2,654,089	$ 1,382,000	$ 2,517,866	$ -	$ 76,593,753
Accumulated amortization and impairment									
Balance, January 1, 2016	$ 9,964,550	$ 495,181	$ -	$ 2,288,861	$ 1,101,463	$ -	$ 977	$ -	$ 13,851,032
Amortization	2,401,725	178,686	-	484,688	136,400	-	190	-	3,201,689
Disposals and retirements	-	-	-	(135,811)	-	-	-	-	(135,811)
Effect of exchange rate changes	-	-	-	(1,139)	-	-	-	-	(1,139)
Balance, December 31, 2016	$ 12,366,275	$ 673,867	$ -	$ 2,636,599	$ 1,237,863	$ -	$ 1,167	$ -	$ 16,915,771
Carrying amount, December 31, 2016	$ 30,358,100	$ 7,506,211	$ 15,845,930	$ 652,816	$ 1,416,226	$ 1,382,000	$ 2,516,699	$ -	$ 59,677,982
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	334,961	-	165,801	-	-	-	-	3,934,137
Disposals and retirements	-	-	-	(9,239)	(195,108)	-	-	(5,147)	(209,494)
Adjustment and reclassification	-	(69,039)	-	308,341	-	-	-	-	239,302
Effect of exchange rate changes	-	-	-	(590)	-	-	-	(70)	(660)
Balance, December 31, 2015	$ 42,724,375	$ 8,180,697	$ 15,845,930	$ 2,948,499	$ 2,654,089	$ 1,382,000	$ 2,517,866	$ -	$ 76,253,456
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	2,179,547	177,701	-	445,772	136,400	-	199	-	2,939,619
Disposals and retirements	-	-	-	(9,239)	(195,108)	-	-	(5,147)	(209,494)
Effect of exchange rate changes	-	-	-	(350)	-	-	-	(70)	(420)
Balance, December 31, 2015	$ 9,964,550	$ 495,181	$ -	$ 2,288,861	$ 1,101,463	$ -	$ 977	$ -	$ 13,851,032
Carrying amount, December 31, 2015	$ 32,759,825	$ 7,685,516	$ 15,845,930	$ 659,638	$ 1,552,626	$ 1,382,000	$ 2,516,889	$ -	$ 62,402,424

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:

	December 31	
	2016	**2015**
Mobile communication service	$ 7,238,758	$ 7,238,758
Fixed network service	357,970	357,970
Cable television business	3,269,636	3,269,636
Retail business	4,979,566	4,979,566
	$ 15,845,930	$ 15,845,930

d. Impairment of assets

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

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

1) Mobile communication service

   a) Assumptions on cash flows

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

   b) Assumptions on operating revenues

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

   c) Assumptions on operating costs and expenses

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

   d) Assumptions on discount rate

      For the years ended December 31, 2016 and 2015, the discount rate used to calculate the asset recoverable amounts of TWM was 6.31% and 5.93%, respectively.

2) Fixed network service

   a) Assumptions on cash flows

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

   b) Assumptions on operating revenues

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

   c) Assumptions on operating costs and expenses

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

   d) Assumptions on discount rate

      For the years ended December 31, 2016 and 2015, the discount rates were 7.06% and 6.72%, respectively, in calculating the asset recoverable amounts of TFN.

3) Cable television business

   a) Assumptions on cash flows

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

b) Assumptions on operating revenues

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

c) Assumptions on operating costs and expenses

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

d) Assumptions on discount rate

The discount rates used to calculate the asset recoverable amounts for each system operator ranged from 5.84% to 6.52% and from 3.47% to 4.53% for the years ended December 31, 2016 and 2015, respectively.

4) Retail business

a) Assumptions on cash flows

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

b) Assumptions on operating revenues

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

c) Assumptions on operating costs and expenses

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

d) Assumptions on discount rate

For the years ended December 31, 2016 and 2015, the discount rates in calculating the asset recoverable amounts were 10.27% and 12.46%, respectively.

Based on the key assumptions of each cash-generating unit, the Group's management believes that the carrying amounts of these operating assets and intangible assets will not exceed their recoverable amounts even if there are any reasonable changes in the critical assumptions used to estimate recoverable amounts. Thus, there was no impairment of assets for the years ended December 31, 2016 and 2015.

16. OTHER NON-CURRENT ASSETS

	December 31 2016	December 31 2015
Long-term accounts receivable	$ 4,648,593	$ 4,896,360
Refundable deposits	596,781	581,237
Prepayments for equipment	58,546	68,843
Others	501,803	504,516
	$ 5,805,723	$ 6,050,956

17. BORROWINGS

a. Short-term borrowings

	December 31 2016	December 31 2015
Unsecured loans	$ 7,363,005	$ 14,220,938
Annual interest rate	0.7%-5.22%	0.82%-4.57%

For the information on endorsements and guarantees and pledged deposits, see Note 30, Note 31 (b) and Table 2.

b. Short-term notes and bills payable

	December 31 2016	December 31 2015
Short-term notes and bills payable	$ -	$ 10,800,000
Less: Discount on short-term notes and bills payable	-	(6,513)
	$ -	$ 10,793,487
Annual interest rate	-	0.642%-0.95%

c. Long-term borrowings

	December 31 2016	December 31 2015
Unsecured loans	$ 21,828,000	$ 18,770,000
Secured loans	2,972,582	3,180,363
Less: Current portion	(3,352,891)	(10,267,891)
	$ 21,447,691	$ 11,682,472
Annual interest rate:		
Unsecured loans	0.71%-1.9926%	1.07%-2.1406%
Secured loans	2.2211%	2.1789%

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

	December 31	
	2016	2015
3rd domestic unsecured bonds	$ 8,998,203	$ 8,997,447
4th domestic unsecured bonds	5,799,381	5,798,491
3rd domestic unsecured convertible bonds	9,562,188	-
Less: Current portion	(2,899,876)	-
	$ 21,459,896	$ 14,795,938

a. 3rd domestic unsecured bonds

On December 20, 2012, TWM authorized Hua Nan Commercial Bank as a trustee to issue $9,000,000 thousand of seven-year 3rd domestic unsecured bonds, each having a face value of $10,000 thousand and a coupon rate of 1.34% per annum, with simple interest due annually. Repayment will be made in the sixth and seventh years with equal installments, i.e., $4,500,000 thousand. As of December 31, 2016, the amount of unamortized bond issue cost was $1,797 thousand.
Future repayments of the above-mentioned corporate bonds are as follows:

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

b. 4th domestic unsecured bonds

On April 25, 2013, TWM authorized Hua Nan Commercial Bank as a trustee to issue $5,800,000 thousand of five-year 4th domestic unsecured bonds, each having a face value of $10,000 thousand and a coupon rate of 1.29% per annum, with simple interest due annually. Repayment will be made in the fourth and fifth years with equal installments, i.e., $2,900,000 thousand. As of December 31, 2016, the amount of unamortized bond issue cost was $619 thousand.

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

Year	**Amount**
2017	$ 2,900,000
2018	2,900,000
	$ 5,800,000

c. 3rd domestic unsecured convertible bonds

On November 22, 2016, TWM issued its 3rd domestic five-year unsecured zero-coupon convertible bonds with an aggregate principal amount of $10,000,000 thousand and a par value of $100 thousand per bond certificate. The conversion price is set initially at $116.1 per share. Except for the book closure period, bondholders are entitled to convert bonds into TWM's common stock from December 23, 2016 to November 22, 2021.

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

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

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 0.9149% per annum on initial recognition.

Proceeds of the issuance (minus transaction costs $10,870 thousand)	$ 9,989,130
Equity component	(400,564)
Financial liabilities	(35,961)
Liability component at the date of issuance	9,552,605
Interest charged at an effective interest rate	9,583
Liability component at December 31, 2016	$ 9,562,188

19. PROVISIONS

	December 31	
	2016	2015
Restoration	$ 1,186,572	$ 1,160,809
Decommissioning	160,923	110,876
Warranties	161,066	125,776
	$ 1,508,561	$ 1,397,461
Current	$ 202,873	$ 166,217
Non-current	1,305,688	1,231,244
	$ 1,508,561	$ 1,397,461

	Restoration	Decommis-sioning	Warranties	Total
Balance, January 1, 2016	$ 1,160,809	$ 110,876	$ 125,776	$ 1,397,461
Provision	79,502	46,511	234,314	360,327
Reversal	(27,487)	-	(58,898)	(86,385)
Unwinding of discount	8,367	3,536	-	11,903
Payment	(34,619)	-	(140,126)	(174,745)
Balance, December 31, 2016	$ 1,186,572	$ 160,923	$ 161,066	$ 1,508,561
Balance, January 1, 2015	$ 1,105,662	$ 63,246	$ 62,524	$ 1,231,432
Provision	79,207	45,332	196,962	321,501
Reversal	(18,196)	-	(39,913)	(58,109)
Unwinding of discount	10,784	2,298	-	13,082
Payment	(16,648)	-	(93,797)	(110,445)
Balance, December 31, 2015	$ 1,160,809	$ 110,876	$ 125,776	$ 1,397,461

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Domestic firms of the Group adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed and defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages. The employees of the Group’s subsidiaries in other countries are participants of state-managed retirement benefit plans operated by local governments. In accordance with the above provision, the Group’s contribution to the pension plan amounted to $286,307 thousand and $259,709 thousand for the years ended December 31, 2016 and 2015, respectively.

b. Defined benefit plan

The Group contributed 2% of each employee's monthly wages to the pension fund, with Bank of Taiwan acting as the custodian bank, in accordance with the defined benefit plans. The plan, under the Labor Standards Law, provides benefits based on an employee's years of service and average monthly salary for six-month period prior to retirement. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group will fund the difference in one appropriation before the end of March of the following year.

The defined benefit plans were as follows:

	December 31	
	2016	**2015**
Present value of defined benefit obligations	$ 1,182,705	$ 1,062,292
Fair value of plan assets	(813,383)	(787,656)
Net defined benefit liability	$ 369,322	$ 274,636

The movements in present value of defined benefit obligations for the years ended December 31, 2016 and 2015 were as follows:

	For the Year Ended December 31	
	2016	**2015**
Balance, January 1	$ 1,062,292	$ 881,719
Current service costs	2,266	2,423
Past service costs	(1,416)	(696)
Interest cost	16,206	16,976
Actuarial loss - changes in demographic assumptions	64,643	61,881
Actuarial loss - changes in financial assumptions	6,511	61,925
Actuarial loss - experience adjustments	40,761	42,776
The plan assets of benefits paid	(8,558)	(4,712)
Balance, December 31	$ 1,182,705	$ 1,062,292

The movements in the fair value of the plan assets for the years ended December 31, 2016 and 2015 were as follows:

	For the Year Ended December 31	
	2016	**2015**
Balance, January 1	$ 787,656	$ 744,937
Net interest income	12,337	14,534
Return on plan assets (excluding amounts included in net interest)	(6,691)	5,452
Contributions from the employer	28,639	27,445
The plan assets of benefits paid	(8,558)	(4,712)
Balance, December 31	$ 813,383	$ 787,656

The expenses recognized in profit or loss for the years ended December 31, 2016 and 2015 were as follows:

	For the Year Ended December 31	
	2016	2015
Current service costs	$ 2,266	$ 2,423
Past service costs	(1,416)	(696)
Interest cost	16,206	16,976
Net interest income	(12,337)	(14,534)
	$ 4,719	$ 4,169

The pre-tax re-measurements recognized in other comprehensive income (loss) for the years ended December 31, 2016 and 2015 were as follows:

	For the Year Ended December 31	
	2016	2015
Return on plan assets (excluding amounts included in net interest)	$ 6,691	$ (5,452)
Actuarial loss - changes in demographic assumptions	64,643	61,881
Actuarial loss - changes in financial assumptions	6,511	61,925
Actuarial loss - experience adjustments	40,761	42,776
	$ 118,606	$ 161,130

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

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

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

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

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

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

	December 31	
	2016	2015
Discount rate	1.25%-1.50%	1.50%-1.75%
Long-term average adjustment rate of salary	2.50%-3.00%	2.50%-3.00%

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

	December 31	
	2016	2015
Discount rate		
0.25% increase	$ (44,926)	$ (41,504)
0.25% decrease	$ 47,106	$ 43,570
Long-term average adjustment rate of salary		
0.25% increase	$ 45,951	$ 42,528
0.25% decrease	$ (44,069)	$ (40,738)

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

	December 31	
	2016	2015
The expected contributions to the plan for the next year	$ 33,308	$ 28,332
The average duration of the defined benefit obligation	12-20 years	13-19.4 years

21. EQUITY

a. Common stock

As of December 31, 2016 and 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

	December 31	
	2016	2015
Additional paid-in capital from convertible corporate bonds	$ 8,775,820	$ 8,775,820
Treasury share transactions	5,159,704	5,159,704
Difference between consideration and carrying amount arising from the disposal of subsidiaries' shares	85,965	85,965
Changes in equity of subsidiaries	511,562	511,562
Convertible bonds payable option	400,564	-
Changes in equity of associates accounted for using equity method	36,014	37,907
Others	15,418	15,418
	$ 14,985,047	$ 14,586,376

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. And the other capital surplus cannot be used by any means.

c. Appropriation of earnings and dividend policy

In accordance with the amendments to the 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	15,243,655	15,243,655	$ 5.6	$ 5.6
	$ 17,683,242	$ 17,047,184		

TWM's 2016 earnings appropriations will be proposed by Board of Directors and approved at the AGM. Information on earnings appropriations is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity interests

	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	(34,617)	-	(34,617)
Changes in fair value of available-for-sale financial assets	-	534,421	534,421
Changes in other comprehensive income (loss) of associates accounted for using equity method	3,098	(18,982)	(15,884)
Balance, December 31, 2016	$ (9,133)	$ (680,901)	$ (690,034)
Balance, January 1, 2015	$ 31,294	$ (334,280)	$ (302,986)
Exchange differences on translation	(5,571)	-	(5,571)
Changes in fair value of available-for-sale financial assets	-	(850,971)	(850,971)
Changes in other comprehensive income (loss) of associates accounted for using equity method	(3,337)	(11,089)	(14,426)
Balance, December 31, 2015	$ 22,386	$ (1,196,340)	$ (1,173,954)

e. Treasury shares

As of December 31, 2016 and 2015, TWM's stocks held for the investment purposes by TCCI, TUI and TID, which are all wholly-owned by TWM, were both 698,752 thousand shares, and the market values were $72,670,167 thousand and $69,875,160 thousand, respectively. Since TWM's shares held by its subsidiaries are regarded as treasury shares, TWM recognized both $29,717,344 thousand, as treasury shares. For those treasury shares holders, they have the same rights as the other shareholders, except that they are not allowed to subscribe new shares issued by TWM for cash. In addition, based on the ROC Company Act, subsidiaries with over 50% shareholding owned by TWM cannot exercise the voting rights over such treasury shares.

f. Non-controlling interests

	For the Year Ended December 31	
	2016	2015
Beginning balance	$ 5,736,019	$ 6,252,897
Portion attributable to non-controlling interests		
Profit	608,256	481,843
Unrealized losses on available-for-sale financial assets	(813)	(56,359)
Exchange differences on translation	(34,714)	(6,683)
Re-measurements from defined benefit plans	(778)	(473)
Share of other comprehensive income (loss) of associates accounted for using equity method	1,565	(22,787)
Changes in equity of associates accounted for using equity method	(75)	14,038
Adjustments arising from changes in percentage of ownership of subsidiaries	-	(255,874)
Cash dividends from subsidiaries paid to non-controlling interests	(539,625)	(670,583)
Decrease in non-controlling interests	(190)	-
Ending balance	$ 5,769,645	$ 5,736,019

22. OPERATING REVENUES

	For the Year Ended December 31	
	2016	2015
Telecommunication service	$ 56,849,968	$ 57,842,781
Sales revenue	48,112,301	47,887,797
Cable TV and broadband services	6,291,711	6,344,628
Other operating revenues	5,393,518	4,068,999
	$ 116,647,498	$ 116,144,205

23. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Year Ended December 31	
	2016	2015
Interest income	$ 164,174	$ 154,760
Dividend income	80,168	21,213
Other income	135,615	272,816
	$ 379,957	$ 448,789

b. Other gains and losses, net

	For the Year Ended December 31	
	2016	2015
Loss on disposal of property, plant and equipment, net	$ (457,819)	$ (332,085)
Gain on disposal of intangible assets	-	47
Valuation loss on financial assets and liabilities at fair value through profit or loss	(118,234)	(68,618)
Impairment losses on financial assets	(2,209)	-
Gain on disposal of investments	-	12,437
Others	(8,374)	(414)
	$ (586,636)	$ (388,633)

c. Finance costs

	For the Year Ended December 31	
	2016	2015
Interest expense		
Bank loans	$ 395,152	$ 404,867
Corporate bonds	206,799	196,916
Others	78,307	135,427
	680,258	737,210
Less: Capitalized interest	(6,819)	(6,293)
	$ 673,439	$ 730,917
Capitalization rates	1.33%	1.33%

24. INCOME TAX

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2016	2015
Current income tax expense		
Current period	$ 3,698,509	$ 3,020,436
Prior years' adjustment	632,661	(449,040)
	4,331,170	2,571,396
Deferred income tax expense		
Temporary differences	(1,068,141)	(573,475)
Income tax expense	$ 3,263,029	$ 1,997,921

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

	For the Year Ended December 31	
	2016	2015
Profit before tax	$ 19,191,472	$ 18,165,950
Income tax expense at domestic statutory tax rate (17%)	$ 3,262,550	$ 3,088,211
Effect of different tax rates on the Group entities	(4,043)	(19,275)
Adjustment items in determining taxable profit	417,348	(53,632)
Temporary difference	(1,068,141)	(573,475)
Investment tax credit	-	(39,920)
Unrecognized loss carryforwards	22,625	41,824
Prior years' adjustment	632,661	(449,040)
Income tax on unappropriated earnings	29	-
Land value increment tax	-	3,228
	$ 3,263,029	$ 1,997,921

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

	For the Year Ended December 31	
	2016	2015
Deferred income tax income		
Re-measurements from defined benefit plans	$ 20,163	$ 27,392

c. Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2016 and 2015, were as follows:

	Property, Plant and Equipment	Defined Benefit Plans	Others	Total
Deferred tax assets				
Balance, January 1, 2016	$ 604,781	$ 77,398	$ 129,603	$ 811,782
Recognized in profit or loss	(76,162)	(15,640)	(30,963)	(122,765)
Recognized in other comprehensive income (loss)	-	19,639	-	19,639
Balance, December 31, 2016	$ 528,619	$ 81,397	$ 98,640	$ 708,656
Balance, January 1, 2015	$ 703,572	$ 50,712	$ 130,889	$ 885,173
Recognized in profit or loss	(98,791)	52	(1,286)	(100,025)
Recognized in other comprehensive income (loss)	-	26,634	-	26,634
Balance, December 31, 2015	$ 604,781	$ 77,398	$ 129,603	$ 811,782

	Accounts Receivable	Intangible Assets	Others	Total
Deferred tax liabilities				
Balance, January 1, 2016	$ 1,358,862	$ 600,333	$ 55,115	$ 2,014,310
Recognized in profit or loss	(1,225,959)	55,834	(20,781)	(1,190,906)
Recognized in other comprehensive income (loss)	-	-	(524)	(524)
Balance, December 31, 2016	$ 132,903	$ 656,167	$ 33,810	$ 822,880
Balance, January 1, 2015	$ 2,037,386	$ 617,409	$ 33,773	$ 2,688,568
Recognized in profit or loss	(678,524)	(17,076)	22,100	(673,500)
Recognized in other comprehensive income (loss)	-	-	(758)	(758)
Balance, December 31, 2015	$ 1,358,862	$ 600,333	$ 55,115	$ 2,014,310

2) Unrecognized deferred tax assets items

	December 31	
	2016	2015
Loss carry-forwards	$ 1,257,305	$ 1,401,958

As of December 31, 2016, the Group had not recognized the prior years' loss carry-forwards as deferred tax assets. The expiry years are as follows:

Remaining Creditable Amount	Expiry Year
$ 254,147	2017
227,205	2018
248,929	2019
227,911	2020
101,534	2021
50,934	2022
118,808	2023
27,577	2025
260	2026
$ 1,257,305	

d. Integrated income tax information was as follows:

	December 31	
	2016	2015
Balance of TWM's imputation credit account (ICA)	$ 1,656,478	$ 1,148,061

As of December 31, 2016, there were no unappropriated earnings generated before 1997.

The estimated tax creditable ratio for 2016 and actual tax creditable ratio for 2015 were 21.01% and 19.80%, respectively, based on Decree No. 10204562810 announced on October 17, 2013, by the ROC Ministry of Finance; Under the Integrated Income Tax System, ROC resident shareholders are allowed a tax credit for the income tax paid by TWM. An ICA is maintained by TWM for such income tax, and a tax credit is allocated to each shareholder when earning distribution occurs. Actual allocation of the ICA is based on the balance on the record date for dividend distribution. Therefore, the estimated tax creditable ratio may differ from the actual tax creditable ratio for the annual earnings appropriation. Effective from January 1, 2015, the tax creditable ratio for individual shareholders residing in ROC will be half of the original tax creditable ratio.

e. Income tax examinations

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

Company	Year
TWM	2014
TCC	2014
WMT	2014
TNH	2014
TFN	2014
TT&T	2014
TCCI	2014
TDC	2014
TDS	2014
TFNM	2014
GFMT	2014
GWMT	2014
WTVB	2014
TUI	2014
TID	2014
TKT	2014
YJCTV	2014
MCTV	2014
PCTV	2014
UCTV	2014
GCTV	2014
momo	2014
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 has applied for the administrative litigation at the Taipei High Administrative Court.

25. EARNINGS PER SHARE

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

	For the Year Ended December 31, 2015		
	Amount After Income Tax	**Weighted-average Number of Common Stock**	**EPS**
Basic EPS			
Profit attributable to owners of the parent	$ 15,686,186	2,722,081	$ 5.76
Effect of potentially dilutive common stock:			
Employees' compensation	-	6,419	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	$ 15,686,186	2,728,500	$ 5.75

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

26. OPERATING LEASE

a. Lessee

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

	December 31	
	2016	**2015**
Less than one year	$ 3,138,464	$ 3,204,706
Between one and five years	4,357,600	4,815,646
More than five years	86,259	104,120
	$ 7,582,323	$ 8,124,472

The Group leases offices, base transceiver stations, stores, maintenance centers, 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 Year Ended December 31	
	2016	2015
Minimum lease payment	$ 3,632,814	$ 3,570,175
Sublease payment	(5,477)	(4,398)
	$ 3,627,337	$ 3,565,777

b. Lessor

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

	December 31	
	2016	2015
Less than one year	$ 134,673	$ 19,926
Between one and five years	543,754	22,659
More than five years	285,962	-
	$ 964,389	$ 42,585

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

	December 31	
	2016	2015
Financial assets		
Available-for-sale financial assets (including current and non-current portions)	$ 4,426,218	$ 3,692,610
Financial assets at fair value through profit or loss	42,030	158,322
Financial assets carried at cost	188,548	192,700
Loans and receivables:		
Cash and cash equivalents	7,704,517	8,579,422
Receivables (including current and non-current portions)	21,351,373	21,792,955

(Continued)

	December 31	
	2016	2015
Debt instrument investments without active market	$ 423,481	$ 359,062
Other financial assets (including current and non-current portions)	4,144,717	3,112,465
Refundable deposits	596,781	581,237
Subtotal	34,220,869	34,425,141
Total	$ 38,877,665	$ 38,468,773
Financial liabilities		
Short-term borrowings	$ 7,363,005	$ 14,220,938
Short-term notes and bills payable	-	10,793,487
Payables (including current and non-current portions)	17,794,396	18,541,226
Financial liabilities at fair value through profit or loss	41,961	-
Bonds payable (including current portion)	24,359,772	14,795,938
Long-term borrowings (including current portion)	24,800,582	21,950,363
Guarantee deposits	887,163	797,787
Total	$ 75,246,879	$ 81,099,739

(Concluded)

b. Fair value of financial instruments

1) Financial instruments not at fair value

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

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Bonds payable (including current portion)	$ 24,359,772	$ 24,971,227	$ 14,795,938	$ 14,965,461

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

2) Fair value measurements recognized in the consolidated balance sheets

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

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices included within Level 1 are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3: Inputs for the assets or liabilities are not based on observable market data (unobservable inputs).

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

December 31, 2016

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

December 31, 2015

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

Transfer between Level 1 and Level 2 for the years ended December 31, 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 years ended December 31, 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 for domestic and foreign unlisted stocks, the Group uses the market comparison approach to evaluate fair values based on observable prices of similar financial instruments and their market liquidity at the end of the period. The Group also takes price fluctuations and risk-free rates into consideration by using the market comparison approach. Call and put options of convertible bonds adopted for binomial tree valuation model, were evaluated by the observable closing price of the stocks, volatility, risk-free interest rate, risk discount rate, and liquidity risk at the balance sheet date.

c) Valuation techniques and inputs applied for Level 3 fair value measurement: The embedded derivatives instruments of convertible notes are evaluated by using binary tree evaluation models to evaluate fair value, considering significant unobservable inputs are historical volatility of stock prices and liquidity discount rate. As of December 31, 2016 and 2015, the historical volatility of stock prices was estimated at 68.91% and 55.02%, respectively, and the liquidity discount rate was estimated at 30.56% and 31.15%, 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

Financial Assets at Fair Value Through Profit or Loss - Derivative Instruments	For the Year Ended December 31 2016	2015
Beginning balance	$ 158,322	$ -
Purchases	-	246,292
Conversion	-	(33,561)
Recognized in profit or loss		
Valuation loss on financial assets at fair value through profit or loss	(112,234)	(70,185)
Unrealized gain (loss) on foreign currency exchange	(4,058)	15,776
Ending balance	$ 42,030	$ 158,322

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 December 31, 2016 and 2015, the Group had unused bank facilities of $53,599,608 thousand and $44,877,067 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
December 31, 2016					
Unsecured loans	$ 29,191,005	$ 29,506,748	$ 10,709,592	$ 18,797,156	$ -
Secured loans	2,972,582	3,180,198	273,132	2,907,066	-
Bonds payable	24,359,772	25,213,730	3,095,420	22,118,310	-
	$ 56,523,359	$ 57,900,676	$ 14,078,144	$ 43,822,532	$ -

(Continued)

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1-5 Years	More Than 5 Years
December 31, 2015					
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	14,795,938	15,409,150	195,420	15,213,730	-
	$ 61,760,726	$ 63,021,421	$ 35,742,839	$ 27,246,382	$ 32,200

(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 and liabilities exposed to significant exchange rate risk were as follows:

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

	December 31, 2015		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Foreign currency assets			
Monetary items			
RMB	$ 3,904	4.975	$ 19,422
USD	53,819	32.86	1,768,481
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
Foreign currency liabilities			
Monetary items			
USD	11,791	32.86	387,456
EUR	6	35.94	214

The Group's foreign exchange gains and losses, including realized and unrealized, for the years ended December 31, 2016 and 2015, were net exchange loss of $41,438 thousand and net exchange gain of $65,862 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 $77,305 thousand and $89,683 thousand for the years ended December 31, 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:

	December 31	
	2016	**2015**
Fair value interest rate risk		
Financial assets	$ 9,384,999	$ 8,462,562
Financial liabilities	30,897,585	55,289,425
Cash flow interest rate risk		
Financial assets	2,307,317	3,135,602
Financial liabilities	16,063,586	6,471,301

Sensitivity analysis

The following sensitivity analysis is based on the exposure to interest rate risk of derivative and non-derivative instruments at the end of the reporting period. For floating-rate assets and liabilities, the analysis assumes that the balances of outstanding assets and liabilities at the end of the reporting period have been outstanding for the whole period and that the changes in interest rates are reasonable. If the interest rate had increased by 50 basis points (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have decreased by $68,781 thousand and $16,678 thousand for the years ended December 31, 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 years ended December 31, 2016 and 2015, other comprehensive income would have decreased by $221,311 thousand and $184,630 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 Year Ended December 31	
	2016	**2015**
Associates	$ 89,550	$ 51,945
Other related parties	421,150	225,190
	$ 510,700	$ 277,135

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 Year Ended December 31	
	2016	2015
Associates	$ 376,218	$ 442,121
Other related parties	590,062	295,710
	$ 966,280	$ 737,831

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

		December 31	
Account	Related Party Categories	2016	2015
Accounts receivable	Associates	$ 4,367	$ 18,786
Accounts receivable	Other related parties	79,174	43,317
		$ 83,541	$ 62,103
Other receivables	Associates	$ 94,873	$ 88,661
Other receivables	Other related parties	66,936	40,557
		$ 161,809	$ 129,218

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

4) Payables to related parties

		December 31	
Account	Related Party Categories	2016	2015
Accounts payable	Associates	$ 507	$ 38,485
Accounts payable	Other related parties	145,475	53,001
		$ 145,982	$ 91,486
Other payables	Associates	$ 34,402	$ -
Other payables	Other related parties	81,679	75,394
		$ 116,081	$ 75,394

5) Prepayments

	December 31	
	2016	2015
Other related parties	$ 36,005	$ 26,445

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

	December 31	
	2016	2015
Other related parties	$ 63,005	$ -

The rate on borrowings from related parties was equivalent to the rate in the market. The Group had drawn $16,250 thousand and $32,500 thousand, respectively, of performance guarantee from related parties for the years ended December 31, 2016 and 2015.

7) Bank deposits, time deposits and other financial assets

	December 31	
	2016	2015
Other related parties	$ 2,286,855	$ 2,004,158

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

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

9) Investments acquired

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

10) Others

	December 31	
	2016	2015
Guarantee deposits		
Other related parties	$ 48,279	$ 48,271

	For the Year Ended December 31	
	2016	2015
Operating expenses		
Other related parties	$ 553,149	$ 505,284

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

	For the Year Ended December 31	
	2016	2015
Non-operating income		
Other related parties	$ 15,137	$ 29,881
Non-operating expenses		
Other related parties	$ 357	$ 13,586

c. Key management compensation

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	$ 313,477	$ 302,304
Termination and post-employment benefits	10,518	5,086
	$ 323,995	$ 307,390

30. ASSETS PLEDGED

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

	December 31	
	2016	2015
Other current financial assets	$ 2,650,196	$ 1,079,811
Services concession	7,506,211	7,685,516
Other non-current financial assets	125,953	109,366
	$ 10,282,360	$ 8,874,693

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	December 31	
	2016	2015
Purchases of property, plant and equipment	$ 3,983,037	$ 4,905,394
Purchases of cellular phones	$ 7,728,902	$ 4,111,662

b. As of December 31, 2016 and 2015, the amounts of endorsements and guarantees (provided to each entity in the Group) were $21,688,870 thousand and $21,699,250 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 $1,121,395 thousand and $14,044 thousand, respectively, as of December 31, 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 December 31, 2016, the cable television companies had provided $65,861 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 $17,733 thousand and $5,890 thousand, respectively, as of December 31, 2016.

In accordance with the Ministry of Economic Affairs' policies, TKT entered into a contract with Mega International Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid music cards totaling $1,588 thousand as of December 31, 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 the year 2015. As of December 31, 2016, $429,812 thousand (tax included) of the concession had been paid.

3) Performance guarantee:

As of December 31, 2016, TNH had provided a $32,500 thousand performance guarantee regarding the BOT contract.

4) Rental of land:

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

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

e. In May 2015, Far EasTone Telecommunications ("FET") filed 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:

On January 25, 2017, the Board of Directors resolved that TWM will purchase mobile broadband equipment from Nokia Solutions and Networks Taiwan Co, Ltd. The total amount of the contract will not exceed $5,026,843 thousand.

34. OTHERS

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

	For the Year Ended December 31					
	2016			2015		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	$ 2,051,054	$ 4,119,061	$ 6,170,115	$ 2,036,793	$ 3,823,927	$ 5,860,720
Insurance expenses	163,600	352,406	516,006	169,231	332,102	501,333
Pension	91,218	190,672	281,890	88,588	166,249	254,837
Others	101,786	245,331	347,117	105,030	223,877	328,907
Depreciation	10,169,163	468,813	10,637,976	10,074,155	498,999	10,573,154
Amortization	2,748,970	452,719	3,201,689	2,525,285	414,334	2,939,619

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 in the AGM in June 2016, the estimated employees' compensation and remuneration to directors are at the rates of 1% to 3%, respectively, and no higher than 0.3%, of profit before income tax, employees' compensation, and remuneration to directors. Estimations for employees' compensation, and remuneration to directors were made by applying the rates to the aforementioned profit before income tax, for the years ended December 31, 2016 and 2015, respectively.

The employees' compensation and remuneration to directors of 2016 and 2015 shown below were approved by the Board of Directors on January 25, 2017 and January 29, 2016, respectively. The differences with the amounts recognized in the consolidated financial statements have been adjusted in 2017 and 2016, respectively.

	For the Year Ended December 31			
	2016		2015	
	Employees' Compensation Paid by Cash	Remuneration to Directors	Employees' Compensation Paid by Cash	Remuneration to Directors
Amounts proposed by the Board of Directors	$ 468,063	$ 46,806	$ 454,757	$ 45,476
Amounts recognized in the consolidated financial statements	$ 494,483	$ 49,448	$ 466,322	$ 46,632

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 were approved by the Board of Directors and have submitted to the AGM after the resolution of the amendments to TWM's Articles by the AGM held on June 15, 2016.

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 years ended December 31, 2016 and 2015, the depreciation expense in non-operating expenses was $12,150 thousand and $3,019 thousand, respectively.

35. ADDITIONAL DISCLOSURES

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

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

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

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

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

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 (excluding information on investment in Mainland China): Table 7 (attached)

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: Tables 2 and 8 (attached)

36. SEGMENT INFORMATION

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

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

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

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

a. Geographical information

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

b. Information on major customers

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

TABLE 1

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING EXTENDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 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	1.09033%-1.23511%	Short-term financing	$ -	Operation requirements	$ -	-	$ -	$ 21,438,210	$ 21,438,210	Note 2
2	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	1.09067%-1.23100%	Short-term financing	-	Repayment of financing	-	-	-	285,858	507,747	Note 3
3	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	1.09067%-1.23100%	Transactions	559,201	-	-	-	-	559,201	1,014,760	Note 3
4	YJCTV	TFNM	Other receivables	Yes	470,000	370,000	370,000	1.08767%-1.23100%	Transactions	506,573	-	-	-	-	506,573	773,222	Note 3
5	WMT	TWM	Other receivables	Yes	3,000,000	2,680,000	1,590,000	1.08700%-1.29767%	Short-term financing	-	Operation requirements	-	-	-	8,198,105	8,198,105	Note 2
		TKT	Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,198,105	8,198,105	Note 2
		WTVB	Other receivables	Yes	600,000	600,000	-	1.11611%-1.28111%	Short-term financing	-	Operation requirements	-	-	-	8,198,105	8,198,105	Note 2
		TFNM	Other receivables	Yes	3,000,000	3,000,000	2,240,000	1.11722%-1.29789%	Short-term financing	-	Operation requirements	-	-	-	8,198,105	8,198,105	Note 2
6	TCC	TWM	Other receivables	Yes	400,000	400,000	350,000	1.09033%-1.23511%	Short-term financing	-	Operation requirements	-	-	-	33,255,403	33,255,403	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.

TABLE 2

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 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	Note 2	$ 42,000,000	$ 21,500,000	$ 21,500,000	$ 9,598,200	$ -	35.59	$ 60,416,890	Y	N	N	Notes 3 and 4
		TKT	Note 2	259,800	50,000	50,000	50,000	-	0.08	60,416,890	Y	N	N	Note 3
1	momo	FGE	Note 2	774,751	277,740	138,870	138,870	84,000	2.40	5,781,343	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, of more than 50% ownership, and the individual amount shall be limited to the investment amount for a single subsidiary.

Amount of endorsements/guarantees collateralized by property that was provided by momo consisted of pledged deposits in the amount of $84,000 thousand.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)
DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2016				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
TWM	Stock							
	Chunghwa Telecom Co., Ltd.	-	Current available-for-sale financial assets	2,174	$ 220,612	0.028	$ 220,612	
	Asia Pacific Telecom Co., Ltd	-	Non-current available-for-sale financial assets	148,255	1,534,439	3.45	1,534,439	
	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	Stock							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at cost	6,998	67,731	5.21	-	
	Parawin Venture Capital Corp.	-	Non-current financial assets at cost	1,749	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	Stock							
	Taiwan High Speed Rail Corporation	-	Non-current available-for-sale financial assets	90,212	1,659,908	1.6	1,659,908	
TCCI	Stock							
	TWM	TWM	Non-current available-for-sale financial assets	200,497	20,851,663	5.86	20,851,663	
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at cost	10,000	39,627	6.67	-	
TUI	Stock							
	TWM	TWM	Non-current available-for-sale financial assets	410,665	42,709,190	12	42,709,190	
TID	Stock							
	TWM	TWM	Non-current available-for-sale financial assets	87,590	9,109,314	2.56	9,109,314	
TFNM	Beneficiary Certificates							
	Dragon Tiger Capital Partners Limited - Class B	-	Non-current financial assets at cost	0.2	-	0.33	-	Note 1
	Dragon Tiger Capital Partners Limited - Class C	-	Non-current financial assets at cost	0.0335	-	0.05	-	Note 1
	Bonds							
	Media Asia Group Holdings Limited - Convertible Notes	-	Non-current financial assets at fair value through profit or loss	-	42,030	-	42,030	
		-	Non-current debt instrument investment without active market	-	423,481	-	-	

(Continued)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2016				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
momo	Beneficiary Certificates							
	Fubon Strategic High Income Fund B	Related party in substance	Current available-for-sale financial assets	18,302	$ 184,323	-	$ 184,323	
	Fuh Hwa Emerging Market High Yield Bond Fund B	-	Current available-for-sale financial assets	10,225	65,235	-	65,235	
	PineBridge Global Multi - Strategy High Yield Bond Fund-B	-	Current available-for-sale financial assets	23,351	171,752	-	171,752	
	Eastspring Investments Global High Yield Bond Fund B	-	Current available-for-sale financial assets	19,028	165,081	-	165,081	
	JPMorgan (Taiwan) Asia High Yield Total Return Bond Fund - Monthly Distribution Share Class	-	Current available-for-sale financial assets	18,916	178,991	-	178,991	
	Eastspring Investments Well Pool Money Market Fund	-	Current available-for-sale financial assets	14,879	200,451	-	200,451	
	Stock							
	Media Asia Group Holdings Limited	-	Current available-for-sale financial assets	43,668	45,426	2.04	45,426	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at cost	2,400	60,000	7.73	-	

Note 1: Impairment loss has been recognized, and the value has been 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 YEAR ENDED DECEMBER 31, 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 9, 2015	$ 1,655,238	Has paid $672,695 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 YEAR ENDED DECEMBER 31, 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	$ 890,295	1	Based on contract terms	-	-	$ 25,409	-	Note 1
			Purchase	4,683,435	(Note 2)	Based on contract terms	-	-	(438,381)	(Note 3)	Note 1
	TT&T	Subsidiary	Purchase	1,136,694	(Note 2)	Based on contract terms	-	-	(97,313)	(Note 3)	
	TKT	Subsidiary	Purchase	333,347	1	Based on contract terms	-	-	(75,011)	2	Note 1
	TDS	Subsidiary	Purchase	119,144	-	Based on contract terms	-	-	(10,577)	(Note 3)	
	momo	Subsidiary	Sale	102,281	-	Based on contract terms	-	-	8,687	-	
	Fubon Property & Casualty Insurance Co., Ltd	Related party in substance	Sale	176,656	-	Based on contract terms	-	-	48,950	-	
			Purchase	341,768	1	Based on contract terms	-	-	(122,961)	(Note 3)	
	TNH	Subsidiary	Purchase	120,869	(Note 2)	Based on contract terms	-	-	(5,049)	(Note 3)	
TNH	TWM	Parent	Sale	118,390	21	Based on contract terms	-	-	1,070	11	
TFN	TWM	Ultimate parent	Sale	4,683,435	45	Based on contract terms	-	-	438,381	52	Note 1
			Purchase	890,295	(Note 2)	Based on contract terms	-	-	(25,409)	(Note 3)	Note 1
	TFNM	Fellow subsidiary	Sale	154,895	1	Based on contract terms	-	-	29,283	3	
TT&T	TWM	Ultimate parent	Sale	1,136,694	92	Based on contract terms	-	-	97,313	93	
TDS	TWM	Ultimate parent	Sale	119,144	100	Based on contract terms	-	-	10,577	100	
TKT	TWM	Ultimate parent	Sale	333,347	88	Based on contract terms	-	-	76,126	100	Note 1
TFNM	TFN	Fellow subsidiary	Operating costs	142,773	12	Based on contract terms	-	-	(27,794)	12	
	YJCTV	Subsidiary	Channel leasing fee	431,820	13	Based on contract terms	(Note 4)	(Note 4)	-	-	
	PCTV	Subsidiary	Channel leasing fee	478,560	15	Based on contract terms	(Note 4)	(Note 4)	-	-	
	UCTV	Subsidiary	Channel leasing fee	221,581	7	Based on contract terms	(Note 4)	(Note 4)	-	-	
	GCTV	Subsidiary	Channel leasing fee	186,990	6	Based on contract terms	(Note 4)	(Note 4)	-	-	
YJCTV	TFNM	Parent	Royalty for copyright	431,820	57	Based on contract terms	(Note 4)	(Note 4)	-	-	
PCTV	TFNM	Parent	Royalty for copyright	478,560	59	Based on contract terms	(Note 4)	(Note 4)	-	-	
UCTV	TFNM	Parent	Royalty for copyright	221,581	45	Based on contract terms	(Note 4)	(Note 4)	-	-	
GCTV	TFNM	Parent	Royalty for copyright	186,990	51	Based on contract terms	(Note 4)	(Note 4)	-	-	
MCTV	Dai-Ka Ltd.	Related party in substance	Royalty for copyright	157,827	49	Based on contract terms	(Note 4)	(Note 4)	(27,620)	84	
momo	TWM	Ultimate parent	Purchase	112,182	1	Based on contract terms	-	-	(12,318)	(Note 3)	
	TPE	Equity-method investee	Purchase	374,719	2	Based on contract terms	-	-	(34,800)	(Note 3)	

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

Note 2: Including operating costs and operating expenses.

Note 3: Including accounts payable and other payables.

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 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		
TCC	TWM	Parent	Other receivables	$ 350,669		$ -	-	$ -	$ -
WMT	TWM	Parent	Other receivables	1,593,402		-	-	1,593,402	-
	TFNM	Subsidiary	Other receivables	2,243,266		-	-	-	-
TFN	TWM	Ultimate parent	Accounts receivable	438,381	9.81	-	-	401,262	-
			Other receivables	6,461,512		-	-	25,568	-
YJCTV	TFNM	Parent	Accounts receivable	2,391	13	-	-	-	-
			Other receivables	370,001		-	-	-	-
PCTV	TFNM	Parent	Accounts receivable	2,554	13.64	-	-	-	-
			Other receivables	520,001		-	-	-	-
GCTV	TFNM	Parent	Accounts receivable	1,167	14.29	-	-	-	-
			Other receivables	250,011		-	-	-	-

TABLE 7

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA) FOR THE YEAR ENDED DECEMBER 31, 2016

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2016	December 31, 2015	Shares (Thousands)	Percentage of Ownership	Carrying Value			
TWM	TCC	Taiwan	Investment	$ 40,397,288	$ 40,397,288	502,970	100	$ 18,522,900	$ 3,531,903	$ 782,412	Note 1
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	20,495,264	2,547,495	2,547,495	
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,656,851	(52,631)	(26,263)	
	ADT	Taiwan	Technology development of mobile payment and information processing services	60,000	30,000	6,000	14.4	33,868	(75,570)	(10,247)	
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	53,596,488	3,449,158	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	99,689	56,816	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	258,563	(1,021)	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,271	100	28,508,760	6,534	-	Note 2
	TDC	Taiwan	Mobile phone wholesaling and TV program production	112,000	112,000	11,200	100	115,757	(179)	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	25,000	2,500	100	102,589	8,197	-	Note 2
WMT	TFNM	Taiwan	Cable broadband and value added service provider	5,210,443	5,210,443	230,921	100	7,018,177	1,991,584	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	17,689	486	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	98,359	5,157	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	347,676	116,455	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,152,791	1,183,227	-	Notes 2 and 4
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	37,333,744	(110)	-	Note 2
	TFN HK Ltd.	Hong Kong	Telecommunications service provider	3,096	3,096	1,300	100	21,414	864	-	Note 2
TT&T	TT&T Holdings	Samoa	Investment	36,284	36,284	1,300	100	53,770	(648)	-	Note 2
TCCI	TID.	Taiwan	Investment	3,602,782	3,602,782	104,712	100	7,968,433	(138)	-	Note 2
TFNM	TKT	Taiwan	Digital music service	129,900	129,900	12,000	100	219,254	(32,173)	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	2,191,101	107,352	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	673,052	110,629	-	Notes 2 and 5
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,463,683	220,702	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,072,488	81,406	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,282,715	77,834	-	Note 2
	Kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	243,670	(50,855)	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2016	December 31, 2015	Shares (Thousands)	Percentage of Ownership	Carrying Value			
GFMT	UCTV	Taiwan	Cable TV service provider	$ 16,218	$ 16,218	1,300	0.76	$ 15,933	$ 81,406	$ -	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	96,825	77,834	-	Note 2
momo	Asian Crown (BVI)	British Virgin Islands	Investment	789,864	789,864	26,500	76.26	(2,873)	(49,976)	-	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	716,333	56,751	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	10,950	2,218	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	7,394	(722)	-	Note 2
	Fu Sheng Travel Service Co., Ltd.	Taiwan	Travel agent	6,000	6,000	3,000	100	45,452	18,327	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	402,464	83,162	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	140,954	140,954	31,150	35	147,521	69,101	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,035,051	1,035,051	33,633	100	(8,513)	(49,834)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	716,333	56,751	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,035,051	1,035,051	33,633	100	(8,513)	(49,834)	-	Notes 2

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

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

Note 3: Held 1 share on December 31, 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)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 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	$ 25,371	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other receivables	34,785	〃	-
		TNH	1	Other non-current assets	18,823	〃	-
		TFN	1	Short-term borrowings	6,380,000	〃	4
		WMT	1	Short-term borrowings	1,590,000	〃	1
		TCC	1	Short-term borrowings	350,000	〃	-
		TKT	1	Accounts payable	75,062	〃	-
		TFN	1	Other payables	478,471	〃	-
		TT&T	1	Other payables	97,304	〃	-
		TDS	1	Other payables	10,577	〃	-
		TFN	1	Other current liabilities	39,078	〃	-
		TKT	1	Disposal of property, plant, and equipment	13,087	〃	-
		TFN	1	Operating revenues	890,295	〃	1
		momo	1	Operating revenues	102,281	〃	-
		TFN	1	Operating costs	4,665,739	〃	4
		TKT	1	Operating costs	333,347	〃	-
		TDS	1	Operating costs	119,144	〃	-
		TNH	1	Operating costs	31,245	〃	-
		TFNM	1	Operating costs	11,233	〃	-
		TT&T	1	Operating expenses	1,136,631	〃	1
		TNH	1	Operating expenses	90,150	〃	-
		TFN	1	Operating expenses	55,998	〃	-
		momo	1	Other income	41,606	〃	-
		TFN	1	Other income	38,562	〃	-
		TFN	1	Finance costs	75,461	〃	-
		WMT	1	Finance costs	18,747	〃	-
		TFN	1	Net other income and expenses	32,969	〃	-
1	WMT	TFNM	1	Other receivables	2,243,266	〃	1
		TFNM	1	Other income	26,177	〃	-

(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	
2	momo	FST	1	Other receivables	$ 16,230	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		FGE	1	Purchases of property, plant, and equipment	16,799	〃	-
		TFNM	3	Operating costs	97,647	〃	-
3	TFN	TFNM	3	Accounts and notes receivable, net	29,283	〃	-
		momo	3	Operating revenues	13,732	〃	-
		TFNM	3	Operating revenues	154,895	〃	-
		TFN HK Ltd.	1	Operating costs	69,133	〃	-
		TT&T	3	Operating expenses	97,186	〃	-
4	TFNM	PCTV	1	Other receivables	33,974		-
		YJCTV	1	Other receivables	31,913	〃	-
		UCTV	1	Other receivables	22,654	〃	-
		GCTV	1	Other receivables	15,431	〃	-
		MCTV	1	Other receivables	13,590	〃	-
		PCTV	1	Short-term borrowings	520,000	〃	-
		YJCTV	1	Short-term borrowings	370,000	〃	-
		GCTV	1	Short-term borrowings	250,000	〃	-
		WTVB	3	Notes payable	17,621	〃	-
		PCTV	1	Operating revenues	520,400	〃	-
		YJCTV	1	Operating revenues	469,397	〃	-
		UCTV	1	Operating revenues	221,581	〃	-
		GCTV	1	Operating revenues	203,756	〃	-
		MCTV	1	Operating revenues	16,436	〃	-
		WTVB	3	Operating costs	67,128	〃	-
		PCTV	1	Operating costs	35,907	〃	-
		YJCTV	1	Operating costs	33,727	〃	-
		UCTV	1	Operating costs	22,942	〃	-
		GCTV	1	Operating costs	14,746	〃	-

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

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

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 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 December 31, 2016	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016	Note
					Outflow	Inflow							
Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis and development of CRM application and information consulting services	$ -	b	$ 41,964	$ -	$ -	$ 41,964	$ -	100	$ -	$ -	$ -	Note 2
TWMC	Mobile application development and design	96,840	b	157,268	-	-	157,268	618	100	618	106,664	-	
FGE	Wholesaling	1,064,670	b	774,751	-	-	774,751	(54,447)	69.63	(37,911)	(6,783)	-	
Haobo	Investment	50,919	b	-	-	-	-	56,751	100	56,751	716,333	-	
GHS	Wholesaling	60,510	b	-	-	-	-	327,551	20	55,055	736,742	-	Note 3

Company	Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
TWM and subsidiaries	$1,675,274	$1,755,043	$39,711,921

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 December 31, 2016.

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