

Taiwan Mobile Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2017 and 2016 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Taiwan Mobile Co., Ltd. and subsidiaries (the "Group") as of March 31, 2017 and 2016, and the related consolidated statements of comprehensive income, statements of changes in equity and cash flows for the three-month periods ended March 31, 2017 and 2016. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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



Deloitte & Touche
Taipei, Taiwan
Republic of China

May 4, 2017

Notice to Readers

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2017 (Reviewed)		December 31, 2016 (Audited)		March 31, 2016 (Reviewed)		LIABILITIES AND EQUITY	March 31, 2017 (Reviewed)		December 31, 2016 (Audited)		March 31, 2016 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Notes 6 and 28)	\$ 7,927,369	5	\$ 7,704,517	5	\$ 8,704,003	6	Short-term borrowings (Notes 16 and 28)	\$ 2,009,929	1	\$ 7,363,005	5	\$ 9,730,763	6
Available-for-sale financial assets (Notes 7 and 28)	1,221,063	1	1,231,871	1	1,240,934	1	Short-term notes and bills payable (Note 16)	-	-	-	-	8,494,931	6
Accounts and notes receivable, net (Note 8)	14,554,547	10	15,331,965	10	15,637,717	10	Accounts and notes payable	6,578,264	4	7,114,164	5	6,975,192	5
Accounts receivable due from related parties (Note 28)	212,073	-	83,541	-	80,635	-	Accounts payable due to related parties (Note 28)	156,461	-	145,982	-	69,661	-
Other receivables (Note 28)	1,049,408	1	1,287,274	1	988,328	1	Other payables (Note 28)	8,622,386	6	9,822,578	6	9,934,246	6
Inventories (Note 9)	3,815,867	2	4,071,748	3	2,783,390	2	Current tax liabilities	3,045,052	2	2,221,519	1	2,768,167	2
Prepayments (Note 28)	689,201	1	500,558	-	526,106	-	Provisions (Note 18)	217,896	-	202,873	-	185,724	-
Other financial assets (Notes 28 and 29)	3,067,716	2	4,018,764	3	2,978,010	2	Advance receipts	2,326,528	2	2,637,194	2	2,465,281	2
Other current assets	45,929	-	49,874	-	36,725	-	Long-term liabilities, current portion (Notes 16 and 17)	6,253,227	4	6,252,767	4	7,304,336	5
Total current assets	<u>32,583,173</u>	<u>22</u>	<u>34,280,112</u>	<u>23</u>	<u>32,975,848</u>	<u>22</u>	Other current liabilities	<u>2,213,726</u>	<u>2</u>	<u>2,384,515</u>	<u>2</u>	<u>1,906,876</u>	<u>1</u>
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets at fair value through profit or loss	24,482	-	42,030	-	109,971	-	Financial liabilities at fair value through profit or loss (Note 17)	20,961	-	41,961	-	-	-
Available-for-sale financial assets (Note 7)	3,404,137	2	3,194,347	2	3,078,008	2	Bonds payable (Note 17)	21,481,780	14	21,459,896	14	14,796,350	10
Financial assets at cost	188,548	-	188,548	-	192,700	-	Long-term borrowings (Note 16)	21,306,909	14	21,447,691	14	14,591,581	9
Debt instrument investment without active market	415,453	-	423,481	-	369,008	-	Provisions (Note 18)	1,320,688	1	1,305,688	1	1,247,308	1
Investments accounted for using equity method (Note 10)	1,548,477	1	1,564,265	1	1,624,118	1	Deferred tax liabilities	751,959	1	822,880	1	1,847,468	1
Property, plant and equipment (Note 12)	42,061,746	28	42,415,229	28	46,456,383	30	Net defined benefit liabilities	363,022	-	369,322	-	269,156	-
Investment properties (Note 13)	2,940,411	2	2,951,079	2	328,900	-	Guarantee deposits	924,806	1	887,163	1	786,973	1
Concessions (Notes 14 and 29)	37,198,897	25	37,864,311	25	39,807,453	26	Other non-current liabilities	<u>656,667</u>	<u>1</u>	<u>711,672</u>	<u>-</u>	<u>711,605</u>	<u>-</u>
Goodwill (Note 14)	15,845,930	11	15,845,930	10	15,845,930	10	Total non-current liabilities	<u>46,826,792</u>	<u>32</u>	<u>47,046,273</u>	<u>31</u>	<u>34,250,441</u>	<u>22</u>
Other intangible assets, net (Note 14)	5,861,950	4	5,967,741	4	6,013,259	4	Total liabilities	<u>78,250,261</u>	<u>53</u>	<u>85,190,870</u>	<u>56</u>	<u>84,085,618</u>	<u>55</u>
Deferred tax assets	702,500	1	708,656	1	770,160	1	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Note 20)						
Other financial assets (Notes 28, 29 and 30)	118,664	-	125,953	-	121,657	-	Common stock	34,208,328	23	34,208,328	23	34,208,328	22
Other non-current assets (Notes 15 and 28)	<u>5,836,339</u>	<u>4</u>	<u>5,805,723</u>	<u>4</u>	<u>6,052,559</u>	<u>4</u>	Capital surplus	14,985,047	10	14,985,047	10	14,586,376	9
Total non-current assets	<u>116,147,534</u>	<u>78</u>	<u>117,097,293</u>	<u>77</u>	<u>120,770,106</u>	<u>78</u>	Retained earnings						
TOTAL							TOTAL						
	<u>\$ 148,730,707</u>	<u>100</u>	<u>\$ 151,377,405</u>	<u>100</u>	<u>\$ 153,745,954</u>	<u>100</u>	Legal reserve	24,606,828	16	24,606,828	16	23,038,209	15
							Special reserve	1,173,954	1	1,173,954	1	302,986	-
							Unappropriated earnings	19,811,285	13	15,850,111	10	22,084,166	14
							Other equity interests	(507,001)	-	(690,034)	-	(742,101)	-
							Treasury shares	<u>(29,717,344)</u>	<u>(20)</u>	<u>(29,717,344)</u>	<u>(20)</u>	<u>(29,717,344)</u>	<u>(19)</u>
							Total equity attributable to owners of parent	64,561,097	43	60,416,890	40	63,760,620	41
							NON-CONTROLLING INTERESTS (Note 20)	<u>5,919,349</u>	<u>4</u>	<u>5,769,645</u>	<u>4</u>	<u>5,899,716</u>	<u>4</u>
							Total equity	<u>70,480,446</u>	<u>47</u>	<u>66,186,535</u>	<u>44</u>	<u>69,660,336</u>	<u>45</u>

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 21 and 28)	\$ 28,840,648	100	\$ 29,198,897	100
OPERATING COSTS (Notes 9, 28 and 33)	<u>19,635,839</u>	<u>68</u>	<u>19,681,718</u>	<u>67</u>
GROSS PROFIT FROM OPERATIONS	<u>9,204,809</u>	<u>32</u>	<u>9,517,179</u>	<u>33</u>
OPERATING EXPENSES (Notes 28 and 33)				
Marketing	3,071,601	11	3,317,982	11
Administrative	<u>1,273,544</u>	<u>4</u>	<u>1,320,747</u>	<u>5</u>
Total operating expenses	<u>4,345,145</u>	<u>15</u>	<u>4,638,729</u>	<u>16</u>
NET OTHER INCOME AND EXPENSES	<u>214,287</u>	<u>1</u>	<u>126,101</u>	<u>-</u>
OPERATING INCOME	<u>5,073,951</u>	<u>18</u>	<u>5,004,551</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 22)	82,823	-	56,837	-
Other gains and losses, net (Notes 22 and 28)	(119,139)	-	(130,432)	-
Finance costs (Note 22)	(160,178)	(1)	(178,241)	(1)
Share of profit (loss) of associates accounted for using equity method	<u>25,728</u>	<u>-</u>	<u>16,663</u>	<u>-</u>
Total non-operating income and expenses	<u>(170,766)</u>	<u>(1)</u>	<u>(235,173)</u>	<u>(1)</u>
PROFIT BEFORE TAX	4,903,185	17	4,769,378	16
INCOME TAX EXPENSE (Note 23)	<u>761,964</u>	<u>3</u>	<u>827,895</u>	<u>3</u>
PROFIT	<u>4,141,221</u>	<u>14</u>	<u>3,941,483</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation	(43,920)	-	509	-
Unrealized gains (losses) on available-for-sale financial assets	198,982	1	426,332	2
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>(2,372)</u>	<u>-</u>	<u>424</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>152,690</u>	<u>1</u>	<u>427,265</u>	<u>2</u>
COMPREHENSIVE INCOME	<u>\$ 4,293,911</u>	<u>15</u>	<u>\$ 4,368,748</u>	<u>15</u>
PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 3,961,174	14	\$ 3,773,123	13
Non-controlling interests	<u>180,047</u>	<u>-</u>	<u>168,360</u>	<u>-</u>
	<u>\$ 4,141,221</u>	<u>14</u>	<u>\$ 3,941,483</u>	<u>13</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 4,144,207	15	\$ 4,204,976	15
Non-controlling interests	<u>149,704</u>	<u>-</u>	<u>163,772</u>	<u>-</u>
	<u>\$ 4,293,911</u>	<u>15</u>	<u>\$ 4,368,748</u>	<u>15</u>
EARNINGS PER SHARE (Note 24)				
Basic earnings per share	<u>\$ 1.46</u>		<u>\$ 1.39</u>	
Diluted earnings per share	<u>\$ 1.41</u>		<u>\$ 1.38</u>	

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of Parent										Total Equity
	Common Stock	Capital Surplus	Retained Earnings			Other Equity Interests			Total	Non-controlling Interests	
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares			
BALANCE, JANUARY 1, 2016	\$ 34,208,328	\$ 14,586,376	\$ 23,038,209	\$ 302,986	\$ 18,311,104	\$ 22,386	\$ (1,196,340)	\$ (29,717,344)	\$ 59,555,705	\$ 5,736,019	\$ 65,291,724
Profit for the three months ended March 31, 2016	-	-	-	-	3,773,123	-	-	-	3,773,123	168,360	3,941,483
Other comprehensive income for the three months ended March 31, 2016	-	-	-	-	-	(51)	431,904	-	431,853	(4,588)	427,265
Total comprehensive income for the three months ended March 31, 2016	-	-	-	-	3,773,123	(51)	431,904	-	4,204,976	163,772	4,368,748
Changes in equity of associates accounted for using equity method	-	-	-	-	(61)	-	-	-	(61)	(75)	(136)
BALANCE, MARCH 31, 2016	<u>\$ 34,208,328</u>	<u>\$ 14,586,376</u>	<u>\$ 23,038,209</u>	<u>\$ 302,986</u>	<u>\$ 22,084,166</u>	<u>\$ 22,335</u>	<u>\$ (764,436)</u>	<u>\$ (29,717,344)</u>	<u>\$ 63,760,620</u>	<u>\$ 5,899,716</u>	<u>\$ 69,660,336</u>
BALANCE, JANUARY 1, 2017	\$ 34,208,328	\$ 14,985,047	\$ 24,606,828	\$ 1,173,954	\$ 15,850,111	\$ (9,133)	\$ (680,901)	\$ (29,717,344)	\$ 60,416,890	\$ 5,769,645	\$ 66,186,535
Profit for the three months ended March 31, 2017	-	-	-	-	3,961,174	-	-	-	3,961,174	180,047	4,141,221
Other comprehensive income for the three months ended March 31, 2017	-	-	-	-	-	(22,523)	205,556	-	183,033	(30,343)	152,690
Total comprehensive income for the three months ended March 31, 2017	-	-	-	-	3,961,174	(22,523)	205,556	-	4,144,207	149,704	4,293,911
BALANCE, MARCH 31, 2017	<u>\$ 34,208,328</u>	<u>\$ 14,985,047</u>	<u>\$ 24,606,828</u>	<u>\$ 1,173,954</u>	<u>\$ 19,811,285</u>	<u>\$ (31,656)</u>	<u>\$ (475,345)</u>	<u>\$ (29,717,344)</u>	<u>\$ 64,561,097</u>	<u>\$ 5,919,349</u>	<u>\$ 70,480,446</u>

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 4,903,185	\$ 4,769,378
Adjustments		
Depreciation expense	2,553,726	2,620,670
Amortization expense	815,131	791,578
Loss on disposal of property, plant and equipment, net	23,818	42,412
Provision for bad debt expense	59,649	89,897
Finance costs	160,178	178,241
Interest income	(41,504)	(39,832)
Share of profit of associates accounted for using equity method	(25,728)	(16,663)
Valuation (gain) loss on financial assets at fair value through profit or loss	(6,098)	45,438
Gain on disposal of investment	(12)	-
Others	29,040	10,915
Changes in operating assets and liabilities		
Accounts and notes receivable	785,814	(18,710)
Accounts receivable due from related parties	(128,532)	(18,532)
Other receivables	237,517	187,960
Inventories	255,881	1,404,823
Prepayments	(202,025)	(91,086)
Other current assets	(1,815)	3,081
Other financial assets	(131)	1,594
Accounts and notes payable	(535,900)	564,787
Accounts payable due to related parties	10,479	(21,825)
Other payables	(936,645)	(663,944)
Provisions	17,351	25,261
Advance receipts	(310,666)	176,486
Other current liabilities	(170,789)	64,776
Net defined benefit liabilities	(6,300)	(5,480)
Net cash inflows generated by operating activities	7,485,624	10,101,225
Interest received	278	243
Interest paid	(309)	(1,684)
Income taxes refund (paid)	2,563	(68,490)
Net cash generated from operating activities	<u>7,488,156</u>	<u>10,031,294</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(2,504,160)	(2,559,358)
Acquisition of intangible assets	(85,204)	(123,552)
Increase in prepayments for equipment	(67,277)	(62,427)
Proceeds from disposal of property, plant and equipment	2,583	1,174
Acquisition of available-for-sale financial assets	(120,000)	(200,000)
Proceeds from disposal of available-for-sale financial assets	120,012	-
Increase in refundable deposits	(65,506)	(51,007)
Decrease in refundable deposits	38,241	49,457
Increase in other financial assets	(6,405)	(470,013)
Decrease in other financial assets	965,459	481,223
Interest received	21,916	24,464
Net cash used in investing activities	<u>(1,700,341)</u>	<u>(2,910,039)</u>

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	\$ (5,350,000)	\$ (4,490,218)
Decrease in short-term notes and bills payable	-	(2,298,560)
Proceeds from long-term borrowings	-	3,050,000
Repayment of long-term borrowings	(141,000)	(3,105,000)
Increase in guarantee deposits received	77,106	38,709
Decrease in guarantee deposits received	(38,964)	(45,699)
Interest paid	<u>(103,255)</u>	<u>(145,809)</u>
Net cash used in financing activities	<u>(5,556,113)</u>	<u>(6,996,577)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	<u>(8,850)</u>	<u>(97)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	222,852	124,581
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>7,704,517</u>	<u>8,579,422</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 7,927,369</u>	<u>\$ 8,704,003</u>

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

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

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

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

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements on May 4, 2017.

3. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

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 and issued into effect by the FSC. 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 Group 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 name of the related party and the relationship with whom the Group has significant transaction. If the transaction amount or balance with a specific related party reaches 10% or more of the Group's respective total transaction amount 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 at the time of acquisition.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 28 for related disclosures.

- b. New IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC.

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed and issued into effect 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 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) If they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) If they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required.

2) 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.

3) IFRS 16 “Leases”

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the following description, the significant accounting policies adopted for the consolidated financial statements are the same as those adopted for the consolidated financial statements for the year ended December 31, 2016.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34 Interim Financial Reporting endorsed and issued into effect by the FSC. The consolidated financial statements do not include all the information which should be disclosed in the annual consolidated financial statements in accordance with the IFRSs endorsed and issued into effect by the FSC.

Basis of Consolidation

- a. The basis of preparing the consolidated financial statements is the same as that of the consolidated financial statements for the year ended December 31, 2016.
- b. The subsidiaries included in the consolidated financial statements were as follows:

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			March 31, 2017	December 31, 2016	March 31, 2016	
TWM	Taiwan Cellular Co., Ltd. (TCC)	Investment	100.00%	100.00%	100.00%	-
	Wealth Media Technology Co., Ltd. (WMT)	Investment	100.00%	100.00%	100.00%	-
	Taipei New Horizon Co., Ltd. (TNH)	Building and operating Songshan Cultural and Creative Park BOT project	49.90%	49.90%	49.90%	-
TCC	Taiwan Fixed Network Co., Ltd. (TFN)	Fixed-line service provider	100.00%	100.00%	100.00%	-
	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service and telephone marketing	100.00%	100.00%	100.00%	-
	TWM Holding Co., Ltd. (TWM Holding)	Investment	100.00%	100.00%	100.00%	-
	TCC Investment Co., Ltd. (TCCI)	Investment	100.00%	100.00%	100.00%	Note 1
	Taiwan Digital Communications Co., Ltd. (TDC)	Mobile phone wholesaling and TV program production	100.00%	100.00%	100.00%	-
	Taiwan Digital Service Co., Ltd. (TDS)	Commissioned maintenance service	100.00%	100.00%	100.00%	-
WMT	TFN Media Co., Ltd. (TFNM)	Cable broadband and value-added services provider	100.00%	100.00%	100.00%	-
	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00%	100.00%	100.00%	-

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			March 31, 2017	December 31, 2016	March 31, 2016	
WMT	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00%	100.00%	100.00%	-
	Win TV Broadcasting Co., Ltd. (WTVB)	TV program provider	100.00%	100.00%	100.00%	-
TFN	momo.com Inc. (momo)	Wholesale and retail sales	45.01%	45.01%	45.01%	-
	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00%	100.00%	100.00%	Note 1
	TFN HK Ltd.	Telecommunication service provider	100.00%	100.00%	100.00%	-
TT&T	TT&T Holdings Co., Ltd. (TT&T Holdings)	Investment	100.00%	100.00%	100.00%	-
TWM Holding	TWM Communications (Beijing) Co., Ltd. (TWMC)	Mobile application development and design	100.00%	100.00%	100.00%	-
TCCI	TCCI Investment and Development Co., Ltd. (TID)	Investment	100.00%	100.00%	100.00%	Note 1
TFNM	Taiwan Kuro Times Co., Ltd. (TKT)	Online music service	100.00%	100.00%	100.00%	-
	Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Cable TV service provider	100.00%	100.00%	100.00%	-
	Mangrove Cable TV Co., Ltd. (MCTV)	Cable TV service provider	29.53%	29.53%	29.53%	Note 2
	Phoenix Cable TV Co., Ltd. (PCTV)	Cable TV service provider	100.00%	100.00%	100.00%	-
	Union Cable TV Co., Ltd. (UCTV)	Cable TV service provider	99.22%	99.22%	99.22%	-
	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV service provider	92.38%	92.38%	92.38%	-
GFMT	UCTV	Cable TV service provider	0.76%	0.76%	0.76%	-
GWMT	GCTV	Cable TV service provider	6.83%	6.83%	6.83%	-
momo	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	76.26%	76.26%	76.26%	-
	Honest Development Co., Ltd. (Honest Development)	Investment	100.00%	100.00%	100.00%	-
	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.00%	100.00%	100.00%	-
	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.00%	100.00%	100.00%	-
	Fu Sheng Travel Service Co., Ltd (FST)	Travel agent	100.00%	100.00%	100.00%	-
	Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.00%	100.00%	100.00%
Honest Development	Hongkong Yue Numerous Investment Co., Ltd. (HK Yue Numerous)	Investment	100.00%	100.00%	100.00%	-
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.00%	100.00%	100.00%	-
HK Yue Numerous	Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo)	Investment	100.00%	100.00%	100.00%	-
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	91.30%	91.30%	91.30%	-

(Concluded)

Note 1: TCCI, TUI and TID collectively owned 698,752 thousand shares of TWM representing 20.42% of total outstanding shares as of March 31, 2017.

Note 2: The other 70.47% of shares were held under trustee accounts.

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

Employee Benefits

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

Income Tax

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2016.

6. CASH AND CASH EQUIVALENTS

	March 31, 2017	December 31, 2016	March 31, 2016
Cash on hand and revolving funds	\$ 115,027	\$ 149,138	\$ 83,422
Cash in banks	2,111,714	2,098,137	3,034,390
Time deposits	3,388,924	2,394,640	2,342,861
Government bonds with repurchase rights and short-term notes and bills	<u>2,311,704</u>	<u>3,062,602</u>	<u>3,243,330</u>
	<u>\$ 7,927,369</u>	<u>\$ 7,704,517</u>	<u>\$ 8,704,003</u>

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31, 2017	December 31, 2016	March 31, 2016
Domestic listed stock	\$ 3,628,009	\$ 3,414,959	\$ 1,876,218
Domestic emerging stock	-	-	1,439,790
Beneficiary certificates	958,031	965,833	939,338
Foreign unlisted stock	<u>39,160</u>	<u>45,426</u>	<u>63,596</u>
	<u>\$ 4,625,200</u>	<u>\$ 4,426,218</u>	<u>\$ 4,318,942</u>
Current	\$ 1,221,063	\$ 1,231,871	\$ 1,240,934
Non-current	<u>3,404,137</u>	<u>3,194,347</u>	<u>3,078,008</u>
	<u>\$ 4,625,200</u>	<u>\$ 4,426,218</u>	<u>\$ 4,318,942</u>

8. ACCOUNTS AND NOTES RECEIVABLE, NET

	March 31, 2017	December 31, 2016	March 31, 2016
Notes receivable	\$ 71,149	\$ 265,974	\$ 86,625
Accounts receivable	15,075,745	15,681,563	16,157,558
Less: Allowance for doubtful accounts	<u>(592,347)</u>	<u>(615,572)</u>	<u>(606,466)</u>
Accounts receivable, net	<u>14,483,398</u>	<u>15,065,991</u>	<u>15,551,092</u>
	<u>\$ 14,554,547</u>	<u>\$ 15,331,965</u>	<u>\$ 15,637,717</u>

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

	March 31, 2017	December 31, 2016	March 31, 2016
Neither past due nor impaired	\$ 14,208,945	\$ 14,730,088	\$ 15,246,895
Past due but not impaired			
Past due within 30 days	202,778	217,750	212,243
Past due 31-60 days	30,878	77,494	45,196
Past due 61-120 days	21,763	24,391	22,235
Past due 121-180 days	10,669	9,833	12,493
Past due over 181 days	<u>8,365</u>	<u>6,435</u>	<u>12,030</u>
	<u>\$ 14,483,398</u>	<u>\$ 15,065,991</u>	<u>\$ 15,551,092</u>

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

	For the Three Months Ended March 31	
	2017	2016
Beginning balance (after reclassified)	\$ 615,572	\$ 592,741
Add: Provision	60,219	90,531
Recovery	36,571	16,653
Less: Write-off	<u>(120,015)</u>	<u>(93,459)</u>
Ending balance	<u>\$ 592,347</u>	<u>\$ 606,466</u>

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

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

9. INVENTORIES

	March 31, 2017	December 31, 2016	March 31, 2016
Merchandise	\$ 3,784,051	\$ 4,041,274	\$ 2,743,367
Materials for maintenance	31,816	30,474	37,950
Catering inventories	<u>-</u>	<u>-</u>	<u>2,073</u>
	<u>\$ 3,815,867</u>	<u>\$ 4,071,748</u>	<u>\$ 2,783,390</u>

For the three months ended March 31, 2017 and 2016, the cost of goods sold recognized in the consolidated comprehensive income were \$11,523,258 thousand and \$11,409,629 thousand, respectively, which included the inventory recovery based on net realizable value totaling \$20,992 thousand and \$4,587 thousand, respectively.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

Investee Company	March 31, 2017		December 31, 2016		March 31, 2016	
	Amount	% of Owner- ship	Amount	% of Owner- ship	Amount	% of Owner- ship
Beijing Global Guoguang Media Technology Co., Ltd. (GHS)	\$ 728,470	20.00	\$ 736,742	20.00	\$ 751,671	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	406,544	17.70	402,464	17.70	417,982	17.70
Kbro Media Co., Ltd. (Kbro Media)	233,718	32.50	243,670	32.50	271,030	32.50
TVD Shopping Co., Ltd. (TVD Shopping)	148,220	35.00	147,521	35.00	169,753	35.00
Alliance Digital Tech Co., Ltd. (ADT)	<u>31,525</u>	14.40	<u>33,868</u>	14.40	<u>13,682</u>	13.33
	<u>\$ 1,548,477</u>		<u>\$ 1,564,265</u>		<u>\$ 1,624,118</u>	

a. GHS

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

Due to non-participation in GHS's capital increase in October 2015, momo's subsidiary's percentage of ownership interests in GHS decreased to 18%. In January 2016, momo's subsidiary's percentage of ownership interests in GHS increased to 20% due to acquisition of additional 2% equity interests of GHS. As of March 31, 2017, payments for the additional investments were not yet settled.

b. TPE

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

As of December 2013, momo held 17.70% equity interests of TPE due to 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

Subsidiary	Proportion of Non-controlling Interests' Ownership and Voting Rights		
	March 31, 2017	December 31, 2016	March 31, 2016
momo	54.99%	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:

	March 31, 2017	December 31, 2016	March 31, 2016
Current assets	\$ 5,335,903	\$ 5,715,073	\$ 5,955,026
Non-current assets	12,367,763	11,869,693	11,267,835
Current liabilities	(3,938,205)	(4,066,357)	(3,501,926)
Non-current liabilities	<u>(259,472)</u>	<u>(265,341)</u>	<u>(262,569)</u>
Equity	<u>\$ 13,505,989</u>	<u>\$ 13,253,068</u>	<u>\$ 13,458,366</u>
Equity attributable to:			
Owners of the parent	\$ 9,267,308	\$ 9,152,791	\$ 9,240,779
Non-controlling interests of momo	4,241,899	4,102,018	4,209,441
Non-controlling interests of momo's subsidiaries	<u>(3,218)</u>	<u>(1,741)</u>	<u>8,146</u>
	<u>\$ 13,505,989</u>	<u>\$ 13,253,068</u>	<u>\$ 13,458,366</u>

	For the Three Months Ended March 31	
	2017	2016
Operating revenues	<u>\$ 7,581,526</u>	<u>\$ 7,006,276</u>
Profit	\$ 308,262	\$ 336,320
Other comprehensive loss	<u>(55,341)</u>	<u>(8,426)</u>
Comprehensive income	<u>\$ 252,921</u>	<u>\$ 327,894</u>

(Continued)

**For the Three Months Ended
March 31**

	2017	2016
Profit attributable to:		
Owners of the parent	\$ 139,514	\$ 154,427
Non-controlling interests of momo	170,414	188,874
Non-controlling interests of momo's subsidiaries	<u>(1,666)</u>	<u>(6,981)</u>
	<u>\$ 308,262</u>	<u>\$ 336,320</u>
Comprehensive income attributable to:		
Owners of the parent	\$ 114,517	\$ 150,589
Non-controlling interests of momo	139,881	184,186
Non-controlling interests of momo's subsidiaries	<u>(1,477)</u>	<u>(6,881)</u>
	<u>\$ 252,921</u>	<u>\$ 327,894</u>
Net cash from operating activities	\$ 214,808	\$ 165,062
Net cash from investing activities	250,462	(276,133)
Net cash from financing activities	(6,823)	2,595
Effect of exchange rate changes	<u>(3,600)</u>	<u>249</u>
Net increase (decrease) in cash	<u>\$ 454,847</u>	<u>\$ (108,227)</u>

(Concluded)

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Telecommuni- cation Equipment and Machinery	Miscellaneous Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>						
Balance, January 1, 2017	\$ 8,291,858	\$ 3,898,840	\$ 89,243,221	\$ 8,110,323	\$ 2,999,439	\$ 112,543,681
Additions	-	-	66,801	197,083	1,952,310	2,216,194
Reclassification	1,730	404	1,507,021	73,727	(1,582,315)	567
Disposals and retirements	-	-	(464,561)	(32,789)	(85)	(497,435)
Effect of exchange rate changes	<u>-</u>	<u>-</u>	<u>(4,260)</u>	<u>(263)</u>	<u>-</u>	<u>(4,523)</u>
Balance, March 31, 2017	<u>\$ 8,293,588</u>	<u>\$ 3,899,244</u>	<u>\$ 90,348,222</u>	<u>\$ 8,348,081</u>	<u>\$ 3,369,349</u>	<u>\$ 114,258,484</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2017	\$ 83,426	\$ 1,272,965	\$ 62,639,823	\$ 6,132,238	\$ -	\$ 70,128,452
Depreciation	-	26,900	2,271,799	246,397	-	2,545,096
Reclassification	-	96	-	223	-	319
Disposals and retirements	-	-	(438,352)	(32,682)	-	(471,034)
Effect of exchange rate changes	<u>-</u>	<u>-</u>	<u>(5,983)</u>	<u>(112)</u>	<u>-</u>	<u>(6,095)</u>
Balance, March 31, 2017	<u>\$ 83,426</u>	<u>\$ 1,299,961</u>	<u>\$ 64,467,287</u>	<u>\$ 6,346,064</u>	<u>\$ -</u>	<u>\$ 72,196,738</u>
Carrying amount, January 1, 2017	<u>\$ 8,208,432</u>	<u>\$ 2,625,875</u>	<u>\$ 26,603,398</u>	<u>\$ 1,978,085</u>	<u>\$ 2,999,439</u>	<u>\$ 42,415,229</u>
Carrying amount, March 31, 2017	<u>\$ 8,210,162</u>	<u>\$ 2,599,283</u>	<u>\$ 25,880,935</u>	<u>\$ 2,002,017</u>	<u>\$ 3,369,349</u>	<u>\$ 42,061,746</u>

	Land	Buildings	Telecommuni- cation Equipment and Machinery	Miscellaneous Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>						
Balance, January 1, 2016	\$ 10,306,780	\$ 4,905,637	\$ 86,948,140	\$ 7,433,581	\$ 2,821,435	\$ 112,415,573
Additions	-	-	26,954	136,681	1,715,551	1,879,186
Reclassification	311	255	1,803,847	95,044	(1,905,936)	(6,479)
Disposals and retirements	-	-	(355,403)	(45,879)	(1,709)	(402,991)
Effect of exchange rate changes	-	-	126	6	-	132
Balance, March 31, 2016	<u>\$ 10,307,091</u>	<u>\$ 4,905,892</u>	<u>\$ 88,423,664</u>	<u>\$ 7,619,433</u>	<u>\$ 2,629,341</u>	<u>\$ 113,885,421</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2016	\$ 83,426	\$ 1,529,090	\$ 58,103,733	\$ 5,452,203	\$ -	\$ 65,168,452
Depreciation	-	35,600	2,343,105	241,190	-	2,619,895
Reclassification	-	76	-	(6)	-	70
Disposals and retirements	-	-	(315,170)	(44,235)	-	(359,405)
Effect of exchange rate changes	-	-	26	-	-	26
Balance, March 31, 2016	<u>\$ 83,426</u>	<u>\$ 1,564,766</u>	<u>\$ 60,131,694</u>	<u>\$ 5,649,152</u>	<u>\$ -</u>	<u>\$ 67,429,038</u>
Carrying amount, March 31, 2016	<u>\$ 10,223,665</u>	<u>\$ 3,341,126</u>	<u>\$ 28,291,970</u>	<u>\$ 1,970,281</u>	<u>\$ 2,629,341</u>	<u>\$ 46,456,383</u>

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

Buildings

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

- b. The non-cash investing activities of the Group for the three months ended March 31, 2017 and 2016 were as follows:

	For the Three Months Ended March 31	
	2017	2016
Acquisition of property, plant and equipment	\$ 2,216,194	\$ 1,879,186
Non-cash investing activities		
Changes in other payables	297,736	687,428
Changes in provisions	<u>(9,770)</u>	<u>(7,256)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 2,504,160</u>	<u>\$ 2,559,358</u>

13. INVESTMENT PROPERTIES

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. On March 31, 2017 and December 31, 2016 and March 31, 2016, the fair values of investment properties were \$6,689,513 thousand, \$6,691,275 thousand and \$837,128 thousand, respectively, and the capitalization rates were 0.94%-5.23%, 0.94%-5.23% and 0.8%-4.42%, respectively.

14. INTANGIBLE ASSETS

The cost, amortization, and impairment of intangible assets of the Group for the three months ended March 31, 2017 and 2016, were as follows:

	Concessions		Goodwill	Other Intangible Assets				Total
	Concession License	Service Concession		Computer Software	Customer Relationship	Operating Rights	Trademarks	
<u>Cost</u>								
Balance, January 1, 2017	\$42,724,375	\$ 8,180,078	\$15,845,930	\$ 3,289,415	\$ 2,654,089	\$ 1,382,000	\$ 2,517,866	\$76,593,753
Addition	-	-	-	31,244	-	-	-	31,244
Disposals and retirements	-	-	-	(9,123)	-	-	-	(9,123)
Adjustment and reclassification	-	-	-	12,793	-	-	-	12,793
Effect of exchange rate changes	-	-	-	(1,111)	-	-	-	(1,111)
Balance, March 31, 2017	<u>\$42,724,375</u>	<u>\$ 8,180,078</u>	<u>\$15,845,930</u>	<u>\$ 3,323,218</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,866</u>	<u>\$76,627,556</u>
<u>Accumulated amortization and impairment</u>								
Balance, January 1, 2017	\$12,366,275	\$ 673,867	\$ -	\$ 2,636,599	\$ 1,237,863	\$ -	\$ 1,167	\$16,915,771
Amortization	620,734	44,680	-	115,573	34,100	-	44	815,131
Disposals and retirements	-	-	-	(9,123)	-	-	-	(9,123)
Adjustment and reclassification	-	-	-	(223)	-	-	-	(223)
Effect of exchange rate changes	-	-	-	(777)	-	-	-	(777)
Balance, March 31, 2017	<u>\$12,987,009</u>	<u>\$ 718,547</u>	<u>\$ -</u>	<u>\$ 2,742,049</u>	<u>\$ 1,271,963</u>	<u>\$ -</u>	<u>\$ 1,211</u>	<u>\$17,720,779</u>
Carrying amount, January 1, 2017	<u>\$30,358,100</u>	<u>\$ 7,506,211</u>	<u>\$15,845,930</u>	<u>\$ 652,816</u>	<u>\$ 1,416,226</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,699</u>	<u>\$59,677,982</u>
Carrying amount, March 31, 2017	<u>\$29,737,366</u>	<u>\$ 7,461,531</u>	<u>\$15,845,930</u>	<u>\$ 581,169</u>	<u>\$ 1,382,126</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,655</u>	<u>\$58,906,777</u>
<u>Cost</u>								
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	-	-	-	38,278	-	-	-	38,278
Disposals and retirements	-	-	-	(3,718)	-	-	-	(3,718)
Adjustment and reclassification	-	(619)	-	18,132	-	-	-	17,513
Effect of exchange rate changes	-	-	-	14	-	-	-	14
Balance, March 31, 2016	<u>\$42,724,375</u>	<u>\$ 8,180,078</u>	<u>\$15,845,930</u>	<u>\$ 3,001,205</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,866</u>	<u>\$76,305,543</u>
<u>Accumulated amortization and impairment</u>								
Balance, January 1, 2016	\$ 9,964,550	\$ 495,181	\$ -	\$ 2,288,861	\$ 1,101,463	\$ -	\$ 977	\$13,851,032
Amortization	592,622	44,647	-	120,160	34,100	-	49	791,578
Disposals and retirements	-	-	-	(3,718)	-	-	-	(3,718)
Adjustment and reclassification	-	-	-	6	-	-	-	6
Effect of exchange rate changes	-	-	-	3	-	-	-	3
Balance, March 31, 2016	<u>\$10,557,172</u>	<u>\$ 539,828</u>	<u>\$ -</u>	<u>\$ 2,405,312</u>	<u>\$ 1,135,563</u>	<u>\$ -</u>	<u>\$ 1,026</u>	<u>\$14,638,901</u>
Carrying amount, March 31, 2016	<u>\$32,167,203</u>	<u>\$ 7,640,250</u>	<u>\$15,845,930</u>	<u>\$ 595,893</u>	<u>\$ 1,518,526</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,840</u>	<u>\$61,666,642</u>

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

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

a. Service concession

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

b. Customer relationship, trademarks, and operating rights

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

- 1) On April 17, 2007, TFN, one of TWM's wholly-owned subsidiaries, acquired more than 50% of the former Taiwan Fixed Network Co., Ltd. (the former "TFN") through a public tender offer. TWM 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:

	March 31, 2017	December 31, 2016	March 31, 2016
Mobile communication service	\$ 7,238,758	\$ 7,238,758	\$ 7,238,758
Fixed network service	357,970	357,970	357,970
Cable television business	3,269,636	3,269,636	3,269,636
Retail business	<u>4,979,566</u>	<u>4,979,566</u>	<u>4,979,566</u>
	<u>\$ 15,845,930</u>	<u>\$ 15,845,930</u>	<u>\$ 15,845,930</u>

d. Impairment of assets

See Note 15 (d) to the consolidated financial statements for the year ended December 31, 2016 for the related information on impairment of assets. There was no significant evidence indicating impairment of intangible assets as of March 31, 2017.

15. OTHER NON-CURRENT ASSETS

	March 31, 2017	December 31, 2016	March 31, 2016
Long-term accounts receivable	\$ 4,580,863	\$ 4,648,593	\$ 4,843,756
Refundable deposits	623,863	596,781	582,756
Prepayments for equipment	116,427	58,546	116,924
Others	<u>515,186</u>	<u>501,803</u>	<u>509,123</u>
	<u>\$ 5,836,339</u>	<u>\$ 5,805,723</u>	<u>\$ 6,052,559</u>

16. BORROWINGS

a. Short-term borrowings

	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured loans	<u>\$ 2,009,929</u>	<u>\$ 7,363,005</u>	<u>\$ 9,730,763</u>
Annual interest rate:	0.9%-5.22%	0.7%-5.22%	0.78%-4.57%

For the information on endorsements and guarantees and pledged deposits, see Note 29, Note 30 (b) and Table 2.

b. Short-term notes and bills payable

	March 31, 2017	December 31, 2016	March 31, 2016
Short-term notes and bills payable	\$ -	\$ -	\$ 8,500,000
Less: Discount on short-term notes and bills payable	<u>-</u>	<u>-</u>	<u>(5,069)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,494,931</u>
Annual interest rate	-	-	0.567%-0.87%

c. Long-term borrowings

	March 31, 2017	December 31, 2016	March 31, 2016
Unsecured loans	\$ 21,792,000	\$ 21,828,000	\$ 18,820,000
Secured loans	2,868,136	2,972,582	3,075,917
Less: Current portion	<u>(3,353,227)</u>	<u>(3,352,891)</u>	<u>(7,304,336)</u>
	<u>\$ 21,306,909</u>	<u>\$ 21,447,691</u>	<u>\$ 14,591,581</u>
Annual interest rate:			
Unsecured loans	0.7%-1.9926%	0.71%-1.9926%	0.83%-2.0666%
Secured loans	2.2211%	2.2211%	2.3684%

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 or contracting, and the interests are paid periodically. Under certain credit agreements, loans are treated as revolving credit facilities, and the maturity dates of loans are based on terms under the agreements. In addition, the loans are repayable from April 2018 to June 2021, and some credit facilities are subject to financial 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 of the initial drawdown and the maturity date of the loan is in July 2020. In accordance with the loan agreement, the financial covenants of 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 29.

17. BONDS PAYABLE

	March 31, 2017	December 31, 2016	March 31, 2016
3rd domestic unsecured bonds	\$ 8,998,392	\$ 8,998,203	\$ 8,997,636
4th domestic unsecured bonds	5,799,604	5,799,381	5,798,714
3rd domestic unsecured convertible bonds	9,583,784	9,562,188	-
Less: Current portion	<u>(2,900,000)</u>	<u>(2,899,876)</u>	<u>-</u>
	<u>\$ 21,481,780</u>	<u>\$ 21,459,896</u>	<u>\$ 14,796,350</u>

a. 3rd domestic unsecured bonds

On December 20, 2012, TWM issued \$9,000,000 thousand of seven-year 3rd domestic unsecured bonds; each bond had a face value of \$10,000 thousand and a coupon rate of 1.34% per annum, with simple interest due annually. Repayment will be made in the sixth and seventh years in equal installments, i.e., \$4,500,000 thousand. As of March 31, 2017, the amount of unamortized bond issue cost was \$1,608 thousand. The trustee of bond issuers is Hua Nan Commercial Bank.

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

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

b. 4th domestic unsecured bonds

On April 25, 2013, TWM issued \$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 March 31, 2017, the amount of unamortized bond issue cost was \$396 thousand. The trustee of bond issuers is Hua Nan Commercial Bank.

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

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

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. The trustee of bond issuers is Bank of Taiwan.

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	<u>(35,961)</u>
Liability component at the date of issuance	9,552,605
Interest charged at an effective interest rate	<u>31,179</u>
Liability component at March 31, 2017	<u>\$ 9,583,784</u>

As of March 31, 2017, the amount of unamortized bond issue cost was \$416,216 thousand.

18. PROVISIONS

	March 31, 2017	December 31, 2016	March 31, 2016
Restoration	\$ 1,195,807	\$ 1,186,572	\$ 1,164,553
Decommissioning	174,062	160,923	123,388
Warranties	<u>168,715</u>	<u>161,066</u>	<u>145,091</u>
	<u>\$ 1,538,584</u>	<u>\$ 1,508,561</u>	<u>\$ 1,433,032</u>
Current	\$ 217,896	\$ 202,873	\$ 185,724
Non-current	<u>1,320,688</u>	<u>1,305,688</u>	<u>1,247,308</u>
	<u>\$ 1,538,584</u>	<u>\$ 1,508,561</u>	<u>\$ 1,433,032</u>

	Restoration	Decom- missioning	Warranties	Total
Balance, January 1, 2017	\$ 1,186,572	\$ 160,923	\$ 161,066	\$ 1,508,561
Provision	15,554	11,930	52,936	80,420
Reversal	(2,296)	-	(17,068)	(19,364)
Unwinding of discount	1,693	1,209	-	2,902
Payment	<u>(5,716)</u>	<u>-</u>	<u>(28,219)</u>	<u>(33,935)</u>
Balance, March 31, 2017	<u>\$ 1,195,807</u>	<u>\$ 174,062</u>	<u>\$ 168,715</u>	<u>\$ 1,538,584</u>
Balance, January 1, 2016	\$ 1,160,809	\$ 110,876	\$ 125,776	\$ 1,397,461
Provision	17,407	11,628	60,418	89,453
Reversal	(5,851)	-	(11,797)	(17,648)
Unwinding of discount	2,170	884	-	3,054
Payment	<u>(9,982)</u>	<u>-</u>	<u>(29,306)</u>	<u>(39,288)</u>
Balance, March 31, 2016	<u>\$ 1,164,553</u>	<u>\$ 123,388</u>	<u>\$ 145,091</u>	<u>\$ 1,433,032</u>

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The Group's contribution to the pension plan amounted to \$73,857 thousand and \$70,223 thousand for the three months ended March 31, 2017 and 2016, respectively.

b. Defined benefit plan

The Group recognized pension amount of \$1,829 thousand and \$1,534 thousand for the three months ended March 31, 2017 and 2016, respectively, by using the actuarially determined pension cost rate.

20. EQUITY

a. Common stock

As of March 31, 2017, December 31, 2016 and March 31, 2016, 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

	March 31, 2017	December 31, 2016	March 31, 2016
Additional paid-in capital from convertible corporate bonds	\$ 8,775,820	\$ 8,775,820	\$ 8,775,820
Treasury share transactions	5,159,704	5,159,704	5,159,704
Difference between consideration and carrying amount arising from the disposal of subsidiaries' shares	85,965	85,965	85,965
Changes in equity of subsidiaries	511,562	511,562	511,562
Convertible bonds payable options	400,564	400,564	-
Changes in equity of associates accounted for using equity method	36,014	36,014	37,907
Others	<u>15,418</u>	<u>15,418</u>	<u>15,418</u>
	<u>\$ 14,985,047</u>	<u>\$ 14,985,047</u>	<u>\$ 14,586,376</u>

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

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 2016 and 2015 earnings appropriations having been proposed by the Board of Directors on May 4, 2017 and resolved by the AGM June 15, 2016, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share</u> (NT\$)	
	<u>For Fiscal</u> <u>Year 2016</u>	<u>For Fiscal</u> <u>Year 2015</u>	<u>For Fiscal</u> <u>Year 2016</u>	<u>For Fiscal</u> <u>Year 2015</u>
Appropriation of legal reserve	\$ 1,532,019	\$ 1,568,619		
Appropriation of special reserve	(483,920)	870,968		
Cash dividends to shareholders	14,176,599	15,243,655	\$ 5.208	\$ 5.6

The cash dividends of \$5.208 per share mentioned above will be distributed from unappropriated earnings. In addition, the Board of Directors resolved another cash appropriation from the capital surplus generated from the excess of the issuance price over the par value of capital stock amounting to \$1,067,056 thousand, that is, \$0.392 per share. Total appropriation distributed will be \$5.6 per share for 2016.

TWM's 2016 earnings appropriation and cash appropriation from the capital surplus are awaiting approval at the AGM on June 14, 2017. Information on appropriations is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity interests

	<u>Exchange</u> <u>Differences on</u> <u>Translation</u>	<u>Unrealized</u> <u>Gain (Loss) on</u> <u>Available-for-</u> <u>sale Financial</u> <u>Assets</u>	<u>Total</u>
Balance, January 1, 2017	\$ (9,133)	\$ (680,901)	\$ (690,034)
Exchange differences on translation	(22,743)	-	(22,743)
Changes in fair value of available-for-sale financial assets	-	206,717	206,717
Changes in other comprehensive income (loss) of associates accounted for using equity method	<u>220</u>	<u>(1,161)</u>	<u>(941)</u>
Balance, March 31, 2017	<u>\$ (31,656)</u>	<u>\$ (475,345)</u>	<u>\$ (507,001)</u> (Continued)

	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	(5)	-	(5)
Changes in fair value of available-for-sale financial assets	-	431,722	431,722
Changes in other comprehensive income (loss) of associates accounted for using equity method	<u>(46)</u>	<u>182</u>	<u>136</u>
Balance, March 31, 2016	<u>\$ 22,335</u>	<u>\$ (764,436)</u>	<u>\$ (742,101)</u> (Concluded)

e. Treasury shares

As of March 31, 2017, December 31, 2016 and March 31, 2016, TWM's stocks held for the investment purposes by TCCI, TUI and TID, which are all wholly-owned, indirectly, by TWM, were 698,752 thousand shares, and the market values were \$77,910,804 thousand, \$72,670,167 thousand and \$73,019,542 thousand, respectively. Since TWM's shares held by its subsidiaries are regarded as treasury shares, TWM recognized \$29,717,344 thousand, representing the original acquisition costs, 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 Three Months Ended March 31	
	2017	2016
Beginning balance	\$ 5,769,645	\$ 5,736,019
Portion attributable to non-controlling interests		
Profit	180,047	168,360
Unrealized losses on available-for-sale financial assets	(7,735)	(5,390)
Exchange differences on translation	(21,177)	514
Share of other comprehensive income (loss) of associates accounted for using equity method	(1,431)	288
Changes in equity of associates accounted for using equity method	<u>-</u>	<u>(75)</u>
Ending balance	<u>\$ 5,919,349</u>	<u>\$ 5,899,716</u>

21. OPERATING REVENUES

	For the Three Months Ended March 31	
	2017	2016
Telecommunication service	\$ 14,813,644	\$ 15,234,176
Sales revenue	12,246,785	12,165,315
Cable TV and broadband services	1,577,109	1,604,691
Other operating revenues	<u>203,110</u>	<u>194,715</u>
	<u>\$ 28,840,648</u>	<u>\$ 29,198,897</u>

22. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Three Months Ended March 31	
	2017	2016
Interest income	\$ 41,504	\$ 39,832
Other income	<u>41,319</u>	<u>17,005</u>
	<u>\$ 82,823</u>	<u>\$ 56,837</u>

b. Other gains and losses, net

	For the Three Months Ended March 31	
	2017	2016
Loss on disposal of property, plant and equipment, net	\$ (23,818)	\$ (42,412)
Valuation loss on financial assets at fair value through profit or loss	(14,902)	(45,438)
Valuation gain on financial liabilities at fair value through profit or loss	21,000	-
Gain on disposal of investment	12	-
Loss on foreign exchange	(87,378)	(39,700)
Others	<u>(14,053)</u>	<u>(2,882)</u>
	<u>\$ (119,139)</u>	<u>\$ (130,432)</u>

c. Finance costs

	For the Three Months Ended March 31	
	2017	2016
Interest expense		
Bank loans	\$ 81,486	\$ 106,397
Corporate bonds	70,194	49,000
Others	<u>9,814</u>	<u>24,208</u>
	161,494	179,605
Less: Capitalized interest	<u>(1,316)</u>	<u>(1,364)</u>
	<u>\$ 160,178</u>	<u>\$ 178,241</u>
Capitalization rates	1.33%	1.33%

23. INCOME TAX

a. Income tax recognized in profit or loss

	For the Three Months Ended March 31	
	2017	2016
Current income tax expense		
Current period	\$ 826,729	\$ 957,445
Prior years' adjustment	<u>-</u>	<u>(4,330)</u>
	<u>826,729</u>	<u>953,115</u>
Deferred income tax expense		
Temporary differences	<u>(64,765)</u>	<u>(125,220)</u>
Income tax expense	<u>\$ 761,964</u>	<u>\$ 827,895</u>

b. Integrated income tax information was as follows:

	March 31, 2017	December 31, 2016	March 31, 2016
Balance of TWM's imputation credit account (ICA)	<u>\$ 1,656,492</u>	<u>\$ 1,656,478</u>	<u>\$ 1,148,061</u>

As of March 31, 2017, 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 tax resident shareholders are allowed to claim a tax credit for the income tax paid by TWM. An ICA is maintained by TWM for such income tax, and a tax credit is allocated to each shareholder when earning distribution occurs. Actual allocation of the ICA is based on the balance on the record date for dividend distribution, therefore, the estimated tax creditable ratio may differ from the actual tax creditable ratio for the earnings appropriation. Effective from January 1, 2015, the tax creditable ratio for individual shareholders residing in ROC will be half of the original tax creditable ratio.

c. Income tax examinations

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

<u>Company</u>	<u>Year</u>
TWM	2014
TCC	2015
WMT	2015
TNH	2015
TFN	2015
TT&T	2015
TCCI	2015
TDC	2015
TDS	2014
TFNM	2015
GFMT	2015
GWMT	2015
WTVB	2015
TUI	2015
TID	2015
TKT	2015
YJCTV	2015
MCTV	2015
PCTV	2015
UCTV	2015
GCTV	2015
momo	2014
FLI	2015
FPI	2015
FST	2015

TFN's income tax returns up to 2015 have been assessed by the tax authorities. TFN disagreed with the assessment result of the appeal with respect to its 2010 income tax return and has brought up an administrative litigation at the Taipei High Administrative Court.

24. EARNINGS PER SHARE

	<u>For the Three Months Ended March 31, 2017</u>		
	<u>Amount After Income Tax</u>	<u>Weighted- average Number of Common Stock</u>	<u>EPS</u>
Basic EPS			
Profit attributable to owners of the parent	\$ 3,961,174	2,722,081	<u>\$ 1.46</u>
Effect of potential dilutive common stock			
Employees' compensation	-	2,312	
Convertible bonds	<u>596</u>	<u>86,133</u>	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 3,961,770</u>	<u>2,810,526</u>	<u>\$ 1.41</u>

For the Three Months Ended March 31, 2016

	Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of the parent	\$ 3,773,123	2,722,081	<u>\$ 1.39</u>
Effect of potential dilutive common stock			
Employees' compensation	<u>-</u>	<u>2,576</u>	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 3,773,123</u>	<u>2,724,657</u>	<u>\$ 1.38</u>

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

25. OPERATING LEASE

a. Lessee

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

	March 31, 2017	December 31, 2016	March 31, 2016
Less than one year	\$ 3,067,613	\$ 3,138,464	\$ 3,196,539
Between one and five years	4,427,355	4,357,600	4,634,444
More than five years	<u>81,159</u>	<u>86,259</u>	<u>89,080</u>
	<u>\$ 7,576,127</u>	<u>\$ 7,582,323</u>	<u>\$ 7,920,063</u>

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

	For the Three Months Ended March 31	
	2017	2016
Minimum lease payment	\$ 920,071	\$ 910,512
Sublease payment	<u>(1,211)</u>	<u>(572)</u>
	<u>\$ 918,860</u>	<u>\$ 909,940</u>

b. Lessor

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

	March 31, 2017	December 31, 2016	March 31, 2016
Less than one year	\$ 145,734	\$ 134,673	\$ 19,934
Between one and five years	541,961	543,754	18,640
More than five years	<u>243,146</u>	<u>285,962</u>	<u>-</u>
	<u>\$ 930,841</u>	<u>\$ 964,389</u>	<u>\$ 38,574</u>

26. CAPITAL MANAGEMENT

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

27. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial assets</u>			
Available-for-sale financial assets (including current and non-current portions)	<u>\$ 4,625,200</u>	<u>\$ 4,426,218</u>	<u>\$ 4,318,942</u>
Financial assets at fair value through profit or loss	<u>24,482</u>	<u>42,030</u>	<u>109,971</u>
Financial assets carried at cost	<u>188,548</u>	<u>188,548</u>	<u>192,700</u>
Loans and receivables:			
Cash and cash equivalents	7,927,369	7,704,517	8,704,003
Receivables (including current and non-current portions)	20,396,891	21,351,373	21,550,436
Debt instrument investments without active market	415,453	423,481	369,008
Other financial assets (including current and non-current portions)	3,186,380	4,144,717	3,099,667
Refundable deposits	<u>623,863</u>	<u>596,781</u>	<u>582,756</u>
Subtotal	<u>32,549,956</u>	<u>34,220,869</u>	<u>34,305,870</u>
	<u>\$ 37,388,186</u>	<u>\$ 38,877,665</u>	<u>\$ 38,927,483</u>

(Continued)

	March 31, 2017	December 31, 2016	March 31, 2016
<u>Financial liabilities</u>			
Short-term borrowings	\$ 2,009,929	\$ 7,363,005	\$ 9,730,763
Short-term notes and bills payable	-	-	8,494,931
Payables (including current and non-current portions)	16,013,778	17,794,396	17,690,704
Financial liabilities at fair value through profit or loss	20,961	41,961	-
Bonds payable (including current portion)	24,381,780	24,359,772	14,796,350
Long-term borrowings (including current portion)	24,660,136	24,800,582	21,895,917
Guarantee deposits	<u>924,806</u>	<u>887,163</u>	<u>786,973</u>
	<u>\$ 68,011,390</u>	<u>\$ 75,246,879</u>	<u>\$ 73,395,638</u> (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.

	<u>March 31, 2017</u>		<u>December 31, 2016</u>		<u>March 31, 2016</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>						
Bonds payable (including current portion)	\$ 24,381,780	\$ 25,093,312	\$ 24,359,772	\$ 24,971,227	\$ 14,796,350	\$ 15,008,929

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

March 31, 2017

	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Domestic listed stock	\$ 3,628,009	\$ -	\$ -	\$ 3,628,009
Beneficiary certificates	958,031	-	-	958,031
Foreign unlisted stocks	<u>-</u>	<u>39,160</u>	<u>-</u>	<u>39,160</u>
	<u>\$ 4,586,040</u>	<u>\$ 39,160</u>	<u>\$ -</u>	<u>\$ 4,625,200</u>
Financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,482</u>	<u>\$ 24,482</u>
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ 20,961</u>	<u>\$ -</u>	<u>\$ 20,961</u>

December 31, 2016

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

March 31, 2016

	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Domestic listed stock	\$ 1,876,218	\$ -	\$ -	\$ 1,876,218
Domestic emerging stock	1,439,790	-	-	1,439,790
Beneficiary certificates	939,338	-	-	939,338
Foreign unlisted stocks	<u>-</u>	<u>63,596</u>	<u>-</u>	<u>63,596</u>
	<u>\$ 4,255,346</u>	<u>\$ 63,596</u>	<u>\$ -</u>	<u>\$ 4,318,942</u>
Financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,971</u>	<u>\$ 109,971</u>

There was no transfer between the fair value measurements of Levels 1 and 2 for the three months ended March 31, 2017. Transfer between Level 1 and Level 2 for the three months ended March 31, 2016 was mainly due to the changes in the source of valuation.

Valuation techniques and assumptions used in fair value determination

- a) The fair value of financial instruments traded in active markets is based on quoted market prices (including stocks and funds of publicly traded companies).
- b) Valuation techniques and inputs applied for Level 2 fair value measurement for foreign unlisted stocks, the Group takes price fluctuations and risk-free rates into consideration by using the market comparison approach. Call and put options of convertible bonds 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. On March 31, 2017 and December 31, 2016 and March 31, 2016, the historical volatility of stock prices was estimated at 69.34%, 68.91% and 60.42%, respectively, and the liquidity discount rate was estimated at 28.13%, 30.56% and 33.96%, 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 Three Months Ended March 31	
	2017	2016
Beginning balance	\$ 42,030	\$ 158,322
Recognized in profit or loss		
Valuation loss on financial assets at fair value through profit or loss	(14,902)	(45,438)
Unrealized loss on foreign currency exchange	<u>(2,646)</u>	<u>(2,913)</u>
Ending balance	<u>\$ 24,482</u>	<u>\$ 109,971</u>

c. Financial risk management

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

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

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

2) Risk management framework

a) Decision-making mechanism

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

b) Risk management policies

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

c) Monitoring mechanism

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

3) Credit risk

Credit risk 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 March 31, 2017, December 31, 2016 and March 31, 2016, the Group had unused bank facilities of \$61,320,542 thousand, \$53,599,608 thousand and \$49,968,464 thousand, respectively.

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

	Contractual Cash Flows	Within 1 Year	1-5 Years	More Than 5 Years
<u>March 31, 2017</u>				
Unsecured loans	\$ 24,089,664	\$ 5,339,904	\$ 18,749,760	\$ -
Secured loans	3,059,198	271,982	2,787,216	-
Bonds payable	<u>25,213,730</u>	<u>3,095,420</u>	<u>22,118,310</u>	<u>-</u>
	<u>\$ 52,362,592</u>	<u>\$ 8,707,306</u>	<u>\$ 43,655,286</u>	<u>\$ -</u>
<u>December 31, 2016</u>				
Unsecured loans	\$ 29,506,748	\$ 10,709,592	\$ 18,797,156	\$ -
Secured loans	3,180,198	273,132	2,907,066	-
Bonds payable	<u>25,213,730</u>	<u>3,095,420</u>	<u>22,118,310</u>	<u>-</u>
	<u>\$ 57,900,676</u>	<u>\$ 14,078,144</u>	<u>\$ 43,822,532</u>	<u>\$ -</u>
<u>March 31, 2016</u>				
Unsecured loans	\$ 28,904,964	\$ 16,997,147	\$ 11,889,253	\$ 18,564
Secured loans	3,344,516	279,048	3,065,468	-
Short-term notes and bills payable	8,500,000	8,500,000	-	-
Bonds payable	<u>15,409,150</u>	<u>195,420</u>	<u>15,213,730</u>	<u>-</u>
	<u>\$ 56,158,630</u>	<u>\$ 25,971,615</u>	<u>\$ 30,168,451</u>	<u>\$ 18,564</u>

5) Market risk

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

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

a) Exchange rate risk

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

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

	March 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 4,114	4.403	\$ 18,113
USD	37,534	30.305	1,137,480
HKD	106,827	3.899	416,517
EUR	1,790	32.54	58,253
Non-monetary items			
RMB	165,449	4.403	728,470
HKD	16,323	3.899	63,642
THB	167,310	0.8859	148,220
<u>Foreign currency liabilities</u>			
Monetary items			
RMB	4,444	4.403	19,567
USD	8,111	30.305	245,813
EUR	23	32.54	734
	December 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
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
<u>Foreign currency liabilities</u>			
Monetary items			
RMB	4,444	4.629	20,571
USD	11,330	32.28	365,710
EUR	19	33.75	651

	March 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 4,110	4.978	\$ 20,459
USD	55,885	32.265	1,803,129
HKD	88,960	4.161	370,165
EUR	1,263	36.55	46,176
Non-monetary items			
RMB	150,998	4.978	751,671
HKD	41,713	4.161	173,567
THB	184,252	0.9213	169,753
<u>Foreign currency liabilities</u>			
Monetary items			
RMB	4,444	4.978	22,122
USD	14,313	32.265	461,804
EUR	19	36.55	701

The Group's foreign exchange gains and losses, including realized and unrealized, for the three months ended March 31, 2017 and 2016, were net exchange loss of \$87,378 thousand and \$39,700 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 \$68,212 thousand and \$87,765 thousand for the three months ended March 31, 2017 and 2016, 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:

	March 31, 2017	December 31, 2016	March 31, 2016
Fair value interest rate risk			
Financial assets	\$ 8,677,206	\$ 9,384,999	\$ 8,422,278
Financial liabilities	26,747,996	30,897,585	48,941,281
Cash flow interest rate risk			
Financial assets	2,316,464	2,307,317	3,282,369
Financial liabilities	14,720,065	16,063,586	5,976,680

Sensitivity analysis

The following sensitivity analysis is based on the exposure to interest rate risk of derivative and non-derivative instruments at the end of the reporting period. For floating-rate assets and liabilities, the analysis assumes that the balances of outstanding assets and liabilities at the end of the reporting period have been outstanding for the whole period and that the changes in interest rates are reasonable. If the interest rate had increased by 50 basis points (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), the Group's profit would have decreased by \$15,505 thousand and \$3,368 thousand for the three months ended March 31, 2017 and 2016, 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 three months ended March 31, 2017 and 2016, other comprehensive income would have decreased by \$231,260 thousand and \$215,947 thousand, respectively.

28. RELATED-PARTY TRANSACTIONS

a. Parent company and ultimate controlling party

TWM is the ultimate controlling party of the Group.

b. Related party name and nature of relationship

<u>Related Party</u>	<u>Nature of Relationship</u>
GHS	Associates
TPE	Associates
Kbro Media	Associates
TVD Shopping	Associates
ADT	Associates

(Continued)

Related Party	Nature of Relationship
Beijing Global JiuSha Media Technology Co., Ltd.	Associates (subsidiary of GHS)
Beijing Pelican Express Co., Ltd.	Associates (subsidiary of TPE)
Good Image Co., Ltd.	Associates (subsidiary of Kbro Media)
Taiwan Mobile Foundation (TMF)	Other related parties
Taipei New Horizon Foundation (TNHF)	Other related parties
Fubon Charity Foundation	Other related parties
Fubon Financial Holding Co., Ltd.	Other related parties
Fubon Life Insurance Co., Ltd. (Fubon Life)	Other related parties
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Other related parties
Fubon Insurance Co., Ltd. (Fubon Ins.)	Other related parties
Fubon Securities Investment Trust Co., Ltd. (FSIT)	Other related parties
Fu-Sheng General Insurance Agency Co., Ltd.	Other related parties
Fubon Sports & Entertainment Co., Ltd. (FSE)	Other related parties
Fubon Bank (China) Co., Ltd.	Other related parties
Fubon Property Management Co., Ltd.	Other related parties
Dai-Ka Ltd.	Other related parties

(Concluded)

c. Significant transactions with related parties

1) Operating revenue

	For the Three Months Ended March 31	
	2017	2016
Associates	\$ 6,561	\$ 20,879
Other related parties	<u>218,596</u>	<u>82,568</u>
	<u>\$ 225,157</u>	<u>\$ 103,447</u>

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

2) Purchases

	For the Three Months Ended March 31	
	2017	2016
Associates	\$ 98,618	\$ 102,026
Other related parties	<u>207,515</u>	<u>106,205</u>
	<u>\$ 306,133</u>	<u>\$ 208,231</u>

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

3) Receivables due from related parties

Account	Related Party Categories	March 31, 2017	December 31, 2016	March 31, 2016
Accounts receivable	Associates	\$ 5,437	\$ 4,367	\$ 7,847
Accounts receivable	Other related parties	<u>206,636</u>	<u>79,174</u>	<u>72,788</u>
		<u>\$ 212,073</u>	<u>\$ 83,541</u>	<u>\$ 80,635</u>
Other receivables	Associates	\$ 73,987	\$ 94,873	\$ 73,271
Other receivables	Other related parties	<u>16,695</u>	<u>66,936</u>	<u>45,041</u>
		<u>\$ 90,682</u>	<u>\$ 161,809</u>	<u>\$ 118,312</u>

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

4) Payables due to related parties

Account	Related Party Categories	March 31, 2017	December 31, 2016	March 31, 2016
Accounts payable	Associates	\$ 507	\$ 507	\$ 28,936
Accounts payable	Other related parties	<u>155,954</u>	<u>145,475</u>	<u>40,725</u>
		<u>\$ 156,461</u>	<u>\$ 145,982</u>	<u>\$ 69,661</u>
Other payables	Associates	\$ 32,208	\$ 34,402	\$ -
Other payables	Other related parties	<u>115,532</u>	<u>77,226</u>	<u>89,419</u>
		<u>\$ 147,740</u>	<u>\$ 111,628</u>	<u>\$ 89,419</u>

5) Prepayments

	March 31, 2017	December 31, 2016	March 31, 2016
Other related parties	<u>\$ 70,732</u>	<u>\$ 36,005</u>	<u>\$ 37,355</u>

6) Borrowings from related parties

	March 31, 2017	December 31, 2016	March 31, 2016
Other related parties	<u>\$ 59,929</u>	<u>\$ 63,005</u>	<u>\$ -</u>

The rate on borrowings from related parties was equivalent to the rate in the market. The Group had drawn \$16,250 thousand, \$16,250 thousand and \$32,500 thousand, respectively, of performance bonds from the related parties for the three months ended March 31, 2017, the year ended December 31, 2016 and the three months ended March 31, 2016.

7) Bank deposits, time deposits and other financial assets

	March 31, 2017	December 31, 2016	March 31, 2016
Other related parties			
TFCB	\$ 2,391,837	\$ 2,273,279	\$ 2,196,526
Others	<u>18,978</u>	<u>13,576</u>	<u>9,161</u>
	<u>\$ 2,410,815</u>	<u>\$ 2,286,855</u>	<u>\$ 2,205,687</u>

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

The Group purchased beneficiary certificates from FSIT amounted to \$120,000 thousand in current period.

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

The Group sold the beneficiary certificates to FSIT, which were originally purchased from FSIT, for \$120,012 thousand, resulting in a disposal gain of \$12 thousand in the current period.

10) Others

	March 31, 2017	December 31, 2016	March 31, 2016
Guarantee deposits			
Other related parties	<u>\$ 48,438</u>	<u>\$ 48,279</u>	<u>\$ 48,279</u>
		For the Three Months Ended March 31	
		<u>2017</u>	<u>2016</u>
Operating expenses			
Other related parties			
TMF		\$ 5,000	\$ 8,000
TNHF		3,000	3,000
Fubon Life		35,078	36,071
FSE		17,850	1,250
Others		<u>73,631</u>	<u>71,803</u>
		<u>\$ 134,559</u>	<u>\$ 120,124</u>

Operating expenses include rental expenses. Leases are conducted by referring to the general market prices, and rental is paid on a monthly basis.

d. Key management compensation

The amount of remuneration of directors and key executives was as follow:

	For the Three Months Ended March 31	
	2017	2016
Short-term employee benefits	\$ 80,008	\$ 75,773
Termination and post-employment benefits	<u>2,346</u>	<u>4,280</u>
	<u>\$ 82,354</u>	<u>\$ 80,053</u>

29. ASSETS PLEDGED

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

	March 31, 2017	December 31, 2016	March 31, 2016
Other current financial assets	\$ 2,653,927	\$ 2,650,196	\$ 1,059,717
Services concession	7,461,531	7,506,211	7,640,250
Other non-current financial assets	<u>118,664</u>	<u>125,953</u>	<u>121,657</u>
	<u>\$ 10,234,122</u>	<u>\$ 10,282,360</u>	<u>\$ 8,821,624</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	March 31, 2017	December 31, 2016	March 31, 2016
Purchases of property, plant and equipment	<u>\$ 7,829,094</u>	<u>\$ 3,983,037</u>	<u>\$ 8,416,628</u>
Purchases of cellular phones	<u>\$ 7,262,349</u>	<u>\$ 7,728,902</u>	<u>\$ 5,690,131</u>

b. As of March 31, 2017, December 31, 2016 and March 31, 2016, the amounts of endorsements and guarantees (provided to each entity in the Group) were \$21,682,090 thousand, \$21,688,870 thousand and \$21,699,340 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 \$760,549 thousand and \$17,957 thousand, respectively, as of March 31, 2017.

In accordance with the NCC's policy, cable television companies should provide performance bonds based on a certain proportion of the advance receipts from their subscribers. As of March 31, 2017, the cable television companies had provided \$66,038 thousand as performance bonds, 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 bonuses and electronic tickets totaling \$19,614 thousand and \$8,268 thousand, respectively, as of March 31, 2017.

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 \$1,296 thousand as of March 31, 2017.

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

1) Construction and operating period:

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

2) Development concession:

The total initial amount of concession was \$1,238,095 thousand (tax excluded). According to the supplemental agreement signed in November 2014, the concession will be paid with additional business tax from the signing date of the supplemental agreement; thus, the concession will be increased by \$48,750 thousand. The rest of the concession will be paid over 14 years from fiscal year 2015. As of March 31, 2017, \$506,594 thousand (tax included) of the concession had been paid.

3) Performance guarantee:

As of March 31, 2017, 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.

31. SIGNIFICANT CASUALTY LOSS: NONE

32. SIGNIFICANT SUBSEQUENT EVENTS:

On April 13, 2017, the Board of Directors resolved that TWM plans to spend USD 21,012 thousand participating in the investment of Grand Academy Investment, L.P.

33. OTHERS

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

	For the Three Months Ended March 31					
	2017			2016		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 519,777	\$ 1,087,540	\$ 1,607,317	\$ 509,315	\$ 1,055,412	\$ 1,564,727
Insurance expenses	42,121	97,393	139,514	40,216	88,328	128,544
Pension	23,308	50,112	73,420	22,974	46,487	69,461
Others	25,301	65,856	91,157	25,471	59,253	84,724
Depreciation	2,441,115	103,981	2,545,096	2,498,981	120,914	2,619,895
Amortization	707,272	107,859	815,131	679,701	111,877	791,578

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 were \$124,664 thousand and \$122,313 thousand, and remuneration to directors were \$12,466 thousand and \$12,231 thousand, which were made by applying the rates to the aforementioned profit before income tax, for the three months ended March 31, 2017 and 2016, respectively.

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

The employees' compensation and remuneration 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 Three Months Ended March 31			
	2016		2015	
	Employees' Compensation Paid by Cash	Remuneration to Directors	Employees' Compensation Paid by Cash	Remuneration to Directors
Amounts approved by the Board of Directors	<u>\$ 468,063</u>	<u>\$ 46,806</u>	<u>\$ 454,757</u>	<u>\$ 45,476</u>
Amounts recognized in the consolidated financial statements	<u>\$ 494,483</u>	<u>\$ 49,448</u>	<u>\$ 466,322</u>	<u>\$ 46,632</u>

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

- b. For the three months ended March 31, 2017 and 2016, the depreciation expense in non-operating expenses was \$8,630 thousand and \$755 thousand, respectively.

34. ADDITIONAL DISCLOSURES

- a. Information on significant transactions and b. information on investees:
- 1) Financing extended to other parties: Table 1 (attached)
 - 2) Endorsements/guarantees provided to other parties: Table 2 (attached)
 - 3) Marketable securities held: Table 3 (attached) (excluding investments in subsidiaries and associates)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 5) Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
 - 6) Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
 - 8) Receivables from related parties of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)

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

10) Trading in derivative instruments: Note 27

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

c. Information on investment in Mainland China:

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

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

35. SEGMENT INFORMATION

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

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

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

Cable Television: Providing pay TV and cable broadband services.

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

For the Three Months Ended March 31, 2017	Telecommunication	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$19,613,665	\$ 7,581,526	\$ 1,612,511	\$ 134,731	\$ (101,785)	\$28,840,648
Operating costs	12,062,195	6,747,961	779,482	87,968	(41,767)	19,635,839
Operating expenses	3,647,197	520,783	193,162	13,499	(29,496)	4,345,145
Other gains and losses, net	208,135	468	5,684	-	-	214,287
Profit	4,112,408	313,250	645,551	33,264	(30,522)	5,073,951
EBITDA (Note)	7,139,510	338,401	862,441	86,405	16,051	8,442,808

For the Three Months Ended March 31, 2016	Telecommunication	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$20,495,757	\$ 7,006,276	\$ 1,640,255	\$ 154,249	\$ (97,640)	\$29,198,897
Operating costs	12,733,262	6,105,127	772,386	116,277	(45,334)	19,681,718
Operating expenses	3,901,371	531,464	196,721	36,823	(27,650)	4,638,729
Other gains and losses, net	118,533	(1,036)	8,604	-	-	126,101
Profit	3,979,657	368,649	679,752	1,149	(24,656)	5,004,551
EBITDA (Note)	7,057,305	395,175	896,013	53,684	14,622	8,416,799

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING EXTENDED TO OTHER PARTIES
FOR THE THREE MONTHS ENDED MARCH 31, 2017

(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%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 23,029,533	\$ 23,029,533	Note 2
2	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	1.09067%	Short-term financing	-	Repayment of financing	-	-	-	293,029	515,116	Note 3
3	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	1.09067%	Transactions	559,481	-	-	-	-	559,481	1,039,420	Note 3
4	YJCTV	TFNM	Other receivables	Yes	370,000	370,000	370,000	1.09067%	Transactions	506,202	-	-	-	-	506,202	776,764	Note 3
5	WMT	TWM	Other receivables	Yes	3,000,000	3,000,000	2,100,000	1.08700%-1.11733%	Short-term financing	-	Operation requirements	-	-	-	8,428,614	8,428,614	Note 2
		TKT	Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,428,614	8,428,614	Note 2
		WTVB	Other receivables	Yes	600,000	600,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,428,614	8,428,614	Note 2
		TFNM	Other receivables	Yes	3,000,000	3,000,000	1,740,000	1.11722%-1.11767%	Short-term financing	-	Operation requirements	-	-	-	8,428,614	8,428,614	Note 2
6	TCC	TWM	Other receivables	Yes	400,000	400,000	350,000	1.09033%	Short-term financing	-	Operation requirements	-	-	-	35,659,583	35,659,583	Note 2

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

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE THREE MONTHS ENDED MARCH 31, 2017

(In Thousands of New Taiwan Dollars)

No.	Company Providing Endorsements/ Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts (Note 1)	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor (Note 1)	Maximum Endorsements/ Guarantees Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	TWM	TFN TKT	Note 2 Note 2	\$ 42,000,000 259,800	\$ 21,500,000 50,000	\$ 21,500,000 50,000	\$ 9,469,825 50,000	\$ - -	33.30 0.08	\$ 64,561,097 64,561,097	Y Y	N N	N N	Notes 3 and 4 Note 3
1	momo	FGE	Note 2	731,340	132,090	132,090	132,090	84,000	2.19	6,035,741	N	N	Y	Note 5

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

Note 2: Direct/indirect subsidiary.

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

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

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

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)
MARCH 31, 2017

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	March 31, 2017				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
TWM	<u>Stock</u>							
	Chunghwa Telecom Co., Ltd.	-	Current available-for-sale financial assets	2,174	\$ 223,872	0.028	\$ 223,872	
	Asia Pacific Telecom Co., Ltd.	-	Non-current available-for-sale financial assets	148,255	1,478,102	3.45	1,478,102	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at cost	800	7,050	10	-	
	Yes Mobile Holdings Company	-	Non-current financial assets at cost	74	-	0.19	-	Note 1
TCC	<u>Stock</u>							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at cost	6,998	67,731	5.21	-	
	Parawin Venture Capital Corp.	-	Non-current financial assets at cost	1,749	7,367	3	-	
	Transportation High Tech Inc.	-	Non-current financial assets at cost	1,200	-	12	-	Note 1
	WEB Point Co., Ltd.	-	Non-current financial assets at cost	803	6,773	3.17	-	
TFN	<u>Stock</u>							
	Taiwan High Speed Rail Corporation	-	Non-current available-for-sale financial assets	90,212	1,926,035	1.6	1,926,035	
TCCI	<u>Stock</u>							
	TWM	TWM	Non-current available-for-sale financial assets	200,497	22,355,389	5.86	22,355,389	
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at cost	10,000	39,627	6.67	-	
TUI	<u>Stock</u>							
	TWM	TWM	Non-current available-for-sale financial assets	410,665	45,789,179	12	45,789,179	
TID	<u>Stock</u>							
	TWM	TWM	Non-current available-for-sale financial assets	87,590	9,766,236	2.56	9,766,236	
TFNM	<u>Beneficiary Certificates</u>							
	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
	<u>Bonds</u>							
	Media Asia Group Holdings Limited - Convertible Notes	-	Non-current financial assets at fair value through profit or loss	-	24,482	-	24,482	
		-	Non-current debt instrument investment without active market	-	415,453	-	-	

(Continued)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	March 31, 2017				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
momo	<u>Beneficiary Certificates</u>							
	Fubon Strategic High Income Fund B	Other related party	Current available-for-sale financial assets	18,302	\$ 182,772	-	\$ 182,772	
	Fuh Hwa Emerging Market High Yield Bond Fund B	-	Current available-for-sale financial assets	10,225	65,849	-	65,849	
	PineBridge Global Multi - Strategy High Yield Bond Fund-B	-	Current available-for-sale financial assets	23,351	168,327	-	168,327	
	Eastspring Investments Global High Yield Bond Fund B	-	Current available-for-sale financial assets	19,028	163,553	-	163,553	
	JPMorgan (Taiwan) Asia High Yield Total Return Bond Fund - Monthly Distribution Share Class	-	Current available-for-sale financial assets	18,916	176,905	-	176,905	
	Eastspring Investments Well Pool Money Market Fund	-	Current available-for-sale financial assets	14,879	200,625	-	200,625	
	<u>Stock</u>							
	Media Asia Group Holdings Limited	-	Current available-for-sale financial assets	43,668	39,160	2.04	39,160	
	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 THREE MONTHS ENDED MARCH 31, 2017

(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	\$ 1,676,457 (Note)	Has paid \$1,097,619 thousand. (including \$424,924 thousand paid in current period) 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

Note: The transaction amount increased to \$1,676,457 thousand by the additional amount \$21,219 thousand in current period.

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 THREE MONTHS ENDED MARCH 31, 2017

(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	\$ 168,743	1	Based on contract terms	-	-	\$ 13,002	-	Note 1
			Purchase	1,144,173	(Note 2)	Based on contract terms	-	-	(432,940)	(Note 3)	Note 1
	TT&T Fubon Property & Casualty Insurance Co., Ltd.	Subsidiary Other related party	Purchase	287,509	(Note 2)	Based on contract terms	-	-	(92,628)	(Note 3)	
			Purchase	144,018	1	Based on contract terms	-	-	(155,768)	5	
TFN	TWM	Ultimate parent	Sale	1,144,173	45	Based on contract terms	-	-	432,940	45	Note 1
			Purchase	168,743	(Note 2)	Based on contract terms	-	-	(13,002)	(Note 3)	Note 1
	Fubon Life Insurance Co., Ltd.	Other related party	Sale	115,921	5	Based on contract terms	-	-	119,195	12	
TT&T	TWM	Ultimate parent	Sale	287,509	91	Based on contract terms	-	-	92,628	91	
TFNM	YJCTV PCTV	Subsidiary Subsidiary	Channel leasing fee	107,955	13	Based on contract terms	Note 4	Note 4	-	-	
			Channel leasing fee	119,640	15	Based on contract terms	Note 4	Note 4	-	-	
YJCTV	TFNM	Parent	Royalty for copyright	107,955	59	Based on contract terms	Note 4	Note 4	-	-	
PCTV	TFNM	Parent	Royalty for copyright	119,640	60	Based on contract terms	Note 4	Note 4	-	-	

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
MARCH 31, 2017

(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	\$ 351,610		\$ -	-	\$ 1,610	\$ -
WMT	TWM	Parent	Other receivables	2,103,312		-	-	1,201,563	-
	TFNM	Subsidiary	Other receivables	1,747,570		-	-	1,747,570	-
TFN	TWM	Ultimate parent	Accounts receivable	432,940	10.51	-	-	400,257	-
			Other receivables	6,476,094		-	-	51,560	-
	Fubon Life Insurance Co., Ltd.	Other related party	Accounts receivable	119,195	7.22	-	-	2,536	-
YJCTV	TFNM	Parent	Accounts receivable	6,938	7.51	-	-	-	-
			Other receivables	370,997		-	-	-	-
PCTV	TFNM	Parent	Accounts receivable	7,870	7.37	-	-	-	-
			Other receivables	521,438		-	-	-	-
GCTV	TFNM	Parent	Accounts receivable	3,128	7.77	-	-	-	-
			Other receivables	250,813		-	-	-	-

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE THREE MONTHS ENDED MARCH 31, 2017

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2017			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2017	December 31, 2016	Shares (Thousands)	Percentage of Ownership	Carrying Value			
TWM	TCC	Taiwan	Investment	\$ 40,397,288	\$ 40,397,288	502,970	100	\$ 19,273,550	\$ 823,375	\$ 489,774	Note 1
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	21,071,536	601,038	601,038	
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,665	1,918,665	191,866	49.9	1,667,962	22,266	11,111	
	ADT	Taiwan	Technology development of mobile payment and information processing services	60,000	60,000	6,000	14.4	31,525	(13,475)	(2,343)	
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	57,574,795	818,337	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	111,794	12,105	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	246,046	(8,613)	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	30,539,659	(110)	-	Note 2
	TDC	Taiwan	Mobile phone wholesaling and TV program production	112,000	112,000	11,200	100	115,680	(77)	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	25,000	2,500	100	103,674	1,085	-	Note 2
WMT	TFNM	Taiwan	Cable broadband and value added service provider	5,210,443	5,210,443	230,921	100	7,443,871	459,563	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	17,781	92	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	99,512	1,154	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	373,852	26,175	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,267,308	309,928	-	Notes 2 and 4
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	40,228,858	(76)	-	Note 2
	TFN HK Ltd.	Hong Kong	Telecommunications service provider	2,901	2,901	1,300	100	20,028	(40)	-	Note 2
TT&T	TT&T Holdings	Samoa	Investment	36,284	36,284	1,300	100	50,570	(3,200)	-	Note 2
TCCI	TID	Taiwan	Investment	3,602,782	3,602,782	104,712	100	8,585,859	(80)	-	Note 2
TFNM	TKT	Taiwan	Digital music service	129,900	129,900	12,000	100	202,459	(16,795)	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	2,200,884	9,782	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	693,994	20,942	-	Notes 2 and 5
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,524,633	60,951	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,092,764	20,434	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,299,276	17,927	-	Note 2
	Kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	233,718	(31,332)	-	Note 2
GFMT	UCTV	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	16,089	20,434	-	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	98,050	17,927	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2017			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2017	December 31, 2016	Shares (Thousands)	Percentage of Ownership	Carrying Value			
momo	Asian Crown (BVI)	British Virgin Islands	Investment	\$ 789,864	\$ 789,864	26,500	76.26	\$ (6,362)	\$ (5,144)	\$ -	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	709,057	29,663	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	11,383	433	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	7,558	164	-	Note 2
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	46,487	1,035	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	406,544	49,838	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	137,979	137,979	31,150	35	148,220	9,060	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,035,051	1,035,051	33,633	100	(12,743)	(4,797)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	709,057	29,663	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,035,051	1,035,051	33,633	100	(12,743)	(4,797)	-	Note 2

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

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

Note 3: Held 1 share on March 31, 2017.

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 THREE MONTHS ENDED MARCH 31, 2017

(In Thousands of New Taiwan Dollars)

Number	Company Name	Counter Party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	TWM	TFN	1	Accounts and notes receivable, net	\$ 13,002	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other receivables	33,024		-
		TNH	1	Other non-current assets	18,823		-
		TFN	1	Short-term borrowings	6,380,000		4
		WMT	1	Short-term borrowings	2,100,000		1
		TCC	1	Short-term borrowings	350,000		-
		TKT	1	Accounts payable	68,965		-
		TFN	1	Other payables	487,853		-
		TT&T	1	Other payables	92,624		-
		TFN	1	Other current liabilities	38,971		-
		TFN	1	Operating revenues	168,743		-
		momo	1	Operating revenues	23,354		-
		TFN	1	Operating costs	1,142,974		4
		TKT	1	Operating costs	66,291		-
		TDS	1	Operating costs	28,692		-
		TT&T	1	Operating expenses	287,501		1
		TNH	1	Operating expenses	22,337		-
		TFN	1	Operating expenses	10,642		-
		momo	1	Other income	10,814		-
		TFN	1	Finance costs	17,153		-
1	WMT	TFNM	1	Other receivables	1,747,570	-	1
2	momo	FST	1	Other receivables	15,236	-	-
		TFNM	3	Accounts payables	23,165	-	-
		FGE	1	Acquisition of property, plant and equipment	11,918	-	-
		TFNM	3	Operating costs	23,165	-	-

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets	
				Account	Amount	Transaction Terms		
3	TFN	TFNM	3	Accounts and notes receivable, net	\$ 23,330	The terms of transaction are determined in accordance with mutual agreements or general business practices	-	
		TFNM	3	Operating revenues	35,095		"	-
		TT&T	3	Operating expenses	29,302		"	-
4	TFNM	PCTV	1	Other receivables	36,056		-	
		YJCTV	1	Other receivables	32,015		"	-
		UCTV	1	Other receivables	23,499		"	-
		GCTV	1	Other receivables	15,934		"	-
		MCTV	1	Other receivables	14,258		"	-
		PCTV	1	Short-term borrowings	520,000		"	-
		YJCTV	1	Short-term borrowings	370,000		"	-
		GCTV	1	Short-term borrowings	250,000		"	-
		WTVB	3	Accounts payables	16,782		"	-
		PCTV	1	Operating revenues	130,100		"	-
		YJCTV	1	Operating revenues	117,349		"	-
		UCTV	1	Operating revenues	55,395		"	-
		GCTV	1	Operating revenues	50,939		"	-
WTVB	3	Operating costs	16,782	"	-			

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 THREE MONTHS ENDED MARCH 31, 2017

(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, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2017	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of March 31, 2017	Accumulated Inward Remittance of Earnings as of March 31, 2017	Note
					Outflow	Inflow							
Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis and development of CRM application and information consulting services	\$ -	b	\$ 39,397	\$ -	\$ -	\$ 39,397	\$ -	100	\$ -	\$ -	\$ -	Note 2
TWMC	Mobile application development and design	90,915	b	147,646	-	-	147,646	176	100	176	102,936	-	
FGE	Wholesaling	1,012,690	b	731,340	-	-	731,340	(5,114)	69.63	(3,561)	(9,911)	-	
Haobo	Investment	48,433	b	-	-	-	-	29,663	100	29,663	709,057	-	
GHS	Wholesaling	57,556	b	-	-	-	-	141,697	20	28,667	728,470	-	Note 3

Company	Accumulated Investment in Mainland China as of March 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
TWM and subsidiaries	\$1,575,516	\$1,575,516	\$42,288,268

Note 1: The investment types are as follows:

- Direct investment in Mainland China.
- Indirect investment in Mainland China through a subsidiary in a third place, e.g. TT&T, TCC and momo.
- 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 March 31, 2017.