Taiwan Mobile Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2018 and 2017 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated financial statements of Taiwan Mobile Co., Ltd. and its subsidiaries (the "Group") as of June 30, 2018 and 2017, and the consolidated statements of comprehensive income for the three months and the six months ended June 30, 2018 and 2017, and the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2018 and 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements 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 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.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the entity as at June 30, 2018 and 2017, and of its consolidated financial performance for the three months and the six months ended June 30, 2018 and 2017, and its consolidated cash flows for the six months ended June 30, 2018 and 2017 in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34 "Interim Financial Reporting".

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

July 26, 2018

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

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 Republic of China ("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)

	June 30, 2018 (Reviewed)		December 31, 2017 (Audited)		June 30, 2017 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 29)	$ 7,620,142	5	$ 6,631,544	4	$ 6,180,027	4
Financial assets at fair value through profit or loss (Note 29)	131,527	-	-	-	3,035	-
Financial assets at fair value through other comprehensive income (Note 7)	253,377	-	-	-	-	-
Available-for-sale financial assets (Notes 8 and 29)	-	-	1,104,467	1	1,027,733	1
Contract assets (Note 22)	5,898,363	4	-	-	-	-
Debt instrument investment without active market	-	-	465,654	-	434,073	-
Accounts and notes receivable, net (Note 9)	7,448,645	5	14,571,025	10	14,435,663	10
Accounts receivable due from related parties (Note 29)	131,047	-	106,475	-	133,642	-
Other receivables (Note 29)	1,415,939	1	1,791,718	1	1,155,432	1
Inventories (Note 10)	3,581,270	2	4,331,809	3	3,082,635	2
Prepayments (Note 29)	721,914	-	506,343	-	719,076	1
Assets held for sale	-	-	1,737	-	-	-
Other financial assets (Notes 29 and 30)	1,371,426	1	2,794,954	2	2,981,390	2
Other current assets	908,554	1	45,391	-	31,527	-
Total current assets	29,482,204	19	32,351,117	21	30,184,233	21
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income (Note 7)	4,426,897	3	-	-	-	-
Available-for-sale financial assets (Note 8)	-	-	4,384,641	3	4,725,368	3
Contract assets (Note 22)	3,412,662	2	-	-	-	-
Financial assets at cost	-	-	171,221	-	188,548	-
Investments accounted for using equity method (Note 11)	1,441,656	1	1,493,852	1	1,559,841	1
Property, plant and equipment (Note 13)	40,136,877	27	41,603,421	27	42,399,148	29
Investment properties, net (Note 14)	2,980,557	2	2,964,035	2	2,972,336	2
Concessions (Notes 15 and 30)	42,044,463	28	43,670,580	28	36,533,484	25
Goodwill (Note 15)	15,845,930	10	15,845,930	10	15,845,930	11
Other intangible assets, net (Note 15)	5,870,301	4	5,856,310	4	5,903,880	4
Deferred tax assets	840,475	1	820,244	1	676,813	-
Incremental costs of obtaining a contract (Note 22)	3,568,033	2	-	-	-	-
Other financial assets (Notes 29, 30 and 31)	129,845	-	128,987	-	129,340	-
Other non-current assets (Notes 16 and 29)	1,234,298	1	5,232,416	3	5,457,363	4
Total non-current assets	121,931,994	81	122,171,637	79	116,392,051	79
TOTAL	$ 151,414,198	100	$ 154,522,754	100	$ 146,576,284	100

	June 30, 2018 (Reviewed)		December 31, 2017 (Audited)		June 30, 2017 (Reviewed)	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES						
Short-term borrowings (Notes 17 and 29)	$ 63,055	-	$ 9,662,318	6	$ 1,910,922	1
Short-term notes and bills payable (Note 17)	-	-	5,595,892	4	-	-
Contract liabilities (Note 22)	2,221,654	2	-	-	-	-
Accounts and notes payable	6,492,505	4	8,014,484	5	6,688,829	5
Accounts payable due to related parties (Note 29)	168,599	-	129,632	-	69,579	-
Dividends payable (Note 21)	15,243,655	10	-	-	15,243,655	10
Other payables (Note 29)	9,458,138	6	11,224,440	7	9,881,887	7
Current tax liabilities	2,404,755	2	1,240,549	1	1,673,245	1
Provisions (Note 19)	156,727	-	178,008	-	204,248	-
Advance receipts	95,466	-	2,790,314	2	2,300,730	2
Long-term liabilities, current portion (Notes 17 and 18)	9,703,140	7	15,602,817	10	8,253,485	6
Other current liabilities (Note 29)	2,176,433	1	2,040,632	1	2,273,344	1
Total current liabilities	48,184,127	32	56,479,086	36	48,499,924	33
NON-CURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss (Note 18)	4,961	-	9,961	-	13,961	-
Contract liabilities (Note 22)	63,514	-	-	-	-	-
Bonds payable (Note 18)	29,178,532	19	14,149,407	9	18,604,251	13
Long-term borrowings (Note 17)	9,091,010	6	14,192,673	9	16,270,909	11
Provisions (Note 19)	1,381,121	1	1,371,869	1	1,329,651	1
Deferred tax liabilities	897,841	1	729,786	1	727,869	1
Net defined benefit liabilities	401,652	-	443,044	-	356,920	-
Guarantee deposits	978,802	1	978,816	1	952,420	1
Other non-current liabilities	590,047	-	656,511	-	656,694	-
Total non-current liabilities	42,587,480	28	32,532,067	21	38,912,675	27
Total liabilities	90,771,607	60	89,011,153	57	87,412,599	60
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 21)						
Common stock	34,208,328	23	34,208,328	22	34,208,328	23
Capital surplus	12,306,029	8	13,939,278	9	13,917,991	9
Retained earnings						
Legal reserve	27,558,064	18	26,138,846	17	26,138,846	18
Special reserve	362,703	-	690,034	-	690,034	-
Unappropriated earnings	10,685,707	7	14,735,424	10	8,414,595	6
Other equity interests	(445,621)	-	(362,703)	-	(3,149)	-
Treasury stock	(29,717,344)	(20)	(29,717,344)	(19)	(29,717,344)	(20)
Total equity attributable to owners of the parent	54,957,866	36	59,631,863	39	53,649,301	36
NON-CONTROLLING INTERESTS (Note 21)	5,684,725	4	5,879,738	4	5,514,384	4
Total equity	60,642,591	40	65,511,601	43	59,163,685	40
TOTAL	$ 151,414,198	100	$ 154,522,754	100	$ 146,576,284	100

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 22 and 29)	$ 28,540,108	100	$ 27,803,886	100	$ 58,846,427	100	$ 56,644,534	100
OPERATING COSTS (Notes 10, 29 and 32)	19,592,340	69	18,914,753	68	40,974,236	70	38,550,592	68
GROSS PROFIT FROM OPERATIONS	8,947,768	31	8,889,133	32	17,872,191	30	18,093,942	32
OPERATING EXPENSES (Notes 29 and 32)								
Marketing	2,854,667	10	3,014,917	11	5,787,060	10	6,086,518	11
Administrative	1,280,170	5	1,277,621	4	2,579,290	4	2,551,165	4
Expected credit loss	84,385	-	-	-	185,470	-	-	-
Total operating expenses	4,219,222	15	4,292,538	15	8,551,820	14	8,637,683	15
NET OTHER INCOME AND EXPENSES	216,626	1	297,524	1	363,503	1	511,811	1
OPERATING INCOME	4,945,172	17	4,894,119	18	9,683,874	17	9,968,070	18
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 23)	41,084	-	83,765	-	77,094	-	166,588	-
Other gains and losses, net (Notes 23 and 29)	(10,284)	-	(37,170)	-	(60,518)	-	(156,309)	-
Finance costs (Note 23)	(144,657)	-	(145,817)	-	(300,411)	(1)	(305,995)	(1)
Share of profit (loss) of associates accounted for using equity method	(2,945)	-	22,192	-	(7,837)	-	47,920	-
Total non-operating income and expenses	(116,802)	-	(77,030)	-	(291,672)	(1)	(247,796)	(1)
PROFIT BEFORE TAX	4,828,370	17	4,817,089	18	9,392,202	16	9,720,274	17
INCOME TAX EXPENSE (Note 24)	786,649	3	780,517	3	1,687,150	3	1,542,481	3
PROFIT	4,041,721	14	4,036,572	15	7,705,052	13	8,177,793	14
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss								
Remeasurements from defined benefit plans	-	-	-	-	18,302	-	-	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(29,855)	-	-	-	(153,054)	-	-	-
Share of other comprehensive income (loss) of associates accounted for using equity method	(8,703)	-	-	-	(9,034)	-	-	-
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translation	(5,961)	-	14,999	-	10,414	-	(28,921)	-
Unrealized gain (loss) on available-for-sale financial assets	-	-	517,036	1	-	-	716,018	1
Share of other comprehensive income (loss) of associates accounted for using equity method	(3,203)	-	(25,066)	-	(3,524)	-	(27,438)	-
Other comprehensive income (loss) (after tax)	(47,722)	-	506,969	1	(136,896)	-	659,659	1
COMPREHENSIVE INCOME	$ 3,993,999	14	$ 4,543,541	16	$ 7,568,156	13	$ 8,837,452	15
PROFIT ATTRIBUTABLE TO:								
Owners of the parent	$ 3,796,878	13	$ 3,828,007	14	$ 7,278,238	12	$ 7,789,181	14
Non-controlling interests	244,843	1	208,565	1	426,814	1	388,612	-
	$ 4,041,721	14	$ 4,036,572	15	$ 7,705,052	13	$ 8,177,793	14
COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the parent	$ 3,761,351	13	$ 4,331,859	15	$ 7,149,087	12	$ 8,476,066	15
Non-controlling interests	232,648	1	211,682	1	419,069	1	361,386	-
	$ 3,993,999	14	$ 4,543,541	16	$ 7,568,156	13	$ 8,837,452	15
EARNINGS PER SHARE (Note 25)								
Basic earnings per share	$ 1.39		$ 1.40		$ 2.67		$ 2.86	
Diluted earnings per share	$ 1.36		$ 1.37		$ 2.60		$ 2.78	

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											
			Retained Earnings			Other Equity Interests						
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Stock	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2017	$ 34,208,328	$ 14,985,047	$ 24,606,828	$ 1,173,954	$ 15,850,111	$ (9,133)	$ -	$ (680,901)	$ (29,717,344)	$ 60,416,890	$ 5,769,645	$ 66,186,535
Distribution of 2016 earnings												
Legal reserve	-	-	1,532,018	-	(1,532,018)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(483,920)	483,920	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(14,176,599)	-	-	-	-	(14,176,599)	-	(14,176,599)
Total distribution of earnings	-	-	1,532,018	(483,920)	(15,224,697)	-	-	-	-	(14,176,599)	-	(14,176,599)
Cash dividends from capital surplus	-	(1,067,056)	-	-	-	-	-	-	-	(1,067,056)	-	(1,067,056)
Profit for the six months ended June 30, 2017	-	-	-	-	7,789,181	-	-	-	-	7,789,181	388,612	8,177,793
Other comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	-	(15,019)	-	701,904	-	686,885	(27,226)	659,659
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	7,789,181	(15,019)	-	701,904	-	8,476,066	361,386	8,837,452
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(616,647)	(616,647)
BALANCE, JUNE 30, 2017	$ 34,208,328	$ 13,917,991	$ 26,138,846	$ 690,034	$ 8,414,595	$ (24,152)	$ -	$ 21,003	$ (29,717,344)	$ 53,649,301	$ 5,514,384	$ 59,163,685
BALANCE, JANUARY 1, 2018	$ 34,208,328	$ 13,939,278	$ 26,138,846	$ 690,034	$ 14,735,424	$ (16,499)	$ -	$ (346,204)	$ (29,717,344)	$ 59,631,863	$ 5,879,738	$ 65,511,601
Effect of retrospective application and retrospective restatement	-	-	-	-	3,354,181	-	(281,785)	346,204	-	3,418,600	(39)	3,418,561
ADJUSTED BALANCE, JANUARY 1, 2018	34,208,328	13,939,278	26,138,846	690,034	18,089,605	(16,499)	(281,785)	-	(29,717,344)	63,050,463	5,879,699	68,930,162
Distribution of 2017 earnings												
Legal reserve	-	-	1,419,218	-	(1,419,218)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(327,331)	327,331	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(13,610,406)	-	-	-	-	(13,610,406)	-	(13,610,406)
Total distribution of earnings	-	-	1,419,218	(327,331)	(14,702,293)	-	-	-	-	(13,610,406)	-	(13,610,406)
Cash dividends from capital surplus	-	(1,633,249)	-	-	-	-	-	-	-	(1,633,249)	-	(1,633,249)
Profit for the six months ended June 30, 2018	-	-	-	-	7,278,238	-	-	-	-	7,278,238	426,814	7,705,052
Other comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	18,186	3,650	(150,987)	-	-	(129,151)	(7,745)	(136,896)
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	7,296,424	3,650	(150,987)	-	-	7,149,087	419,069	7,568,156
Changes in equity of associates accounted for using equity method	-	-	-	-	1,971	-	-	-	-	1,971	2,409	4,380
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(616,452)	(616,452)
BALANCE, JUNE 30, 2018	$ 34,208,328	$ 12,306,029	$ 27,558,064	$ 362,703	$ 10,685,707	$ (12,849)	$ (432,772)	$ -	$ (29,717,344)	$ 54,957,866	$ 5,684,725	$ 60,642,591

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 9,392,202	$ 9,720,274
Adjustments		
Depreciation expense	5,019,798	5,143,285
Amortization expense	1,810,921	1,627,368
Amortization of incremental costs of obtaining contracts	1,825,629	-
Loss on disposal of property, plant and equipment, net	31,699	53,985
Loss on disposal of intangible assets, net	124,618	-
Expected credit loss	185,470	-
Provision for bad debt expense	-	134,134
Finance costs	300,411	305,995
Interest income	(33,709)	(82,367)
Dividend income	(5,081)	(7,699)
Reversal of impairment loss on property, plant and equipment	(103,586)	-
Share of (profit) loss of associates accounted for using equity method	7,837	(47,920)
Valuation loss on financial assets and liabilities at fair value through profit or loss	17,453	8,299
Gain on disposal of investments	-	(692)
Others	(534)	30,164
Changes in operating assets and liabilities		
Financial assets mandatorily at fair value through profit or loss	691,565	-
Contract assets	1,285,315	-
Accounts and notes receivable	340,532	985,004
Accounts receivable due from related parties	(27,557)	(50,101)
Other receivables	372,631	277,375
Inventories	750,539	989,113
Prepayments	(225,046)	(220,739)
Other current assets	(780,073)	329
Other financial assets	(4,512)	(63,597)
Incremental costs of obtaining a contract	(1,226,465)	-
Contract liabilities	(498,004)	-
Accounts and notes payable	(1,494,921)	(289,306)
Accounts payable due to related parties	38,967	(76,403)
Other payables	(1,128,658)	(486,489)
Provisions	(26,951)	403
Advance receipts	10,955	(336,464)
Other current liabilities	18,247	(111,171)
Net defined benefit liabilities	(41,392)	(12,402)
Other non-current liabilities	(9,872)	-
Net cash inflows generated by operating activities	16,618,428	17,490,378

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TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2018	2017
Interest received	$ 524	$ 665
Interest paid	(620)	(636)
Income taxes paid	(1,148,937)	(2,135,907)
Net cash generated from operating activities	15,469,395	15,354,500
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(4,129,600)	(4,715,056)
Acquisition of intangible assets	(230,924)	(236,602)
Increase in prepayments for equipment	(89,005)	(136,559)
Proceeds from disposal of property, plant and equipment	12,124	25,291
Advanced receipts from assets disposals	64	-
Redemption of convertible notes	491,192	-
Acquisition of investments accounted for using equity method	(20,771)	-
Proceeds from capital return of investments accounted for using equity method	31,090	-
Acquisition of available-for-sale financial assets	-	(930,865)
Proceeds from disposal of available-for-sale financial assets	-	320,692
Increase in refundable deposits	(182,835)	(116,652)
Decrease in refundable deposits	165,301	102,008
Increase in other financial assets	(82,363)	(17,471)
Decrease in other financial assets	1,509,500	1,115,651
Interest received	34,005	47,170
Dividend received	49,743	-
Net cash used in investing activities	(2,442,479)	(4,542,393)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(9,600,000)	(5,450,000)
Decrease in short-term notes and bills payable	(5,595,382)	-
Proceeds from issue of bonds	14,984,564	-
Repayments of bonds payable	(2,900,000)	(2,900,000)
Repayment of long-term borrowings	(8,102,000)	(3,177,000)
Increase in guarantee deposits received	52,788	156,450
Decrease in guarantee deposits received	(53,501)	(89,276)
Cash dividends paid to non-controlling interests of subsidiaries	(616,452)	(616,647)
Interest paid	(209,537)	(255,377)
Net cash used in financing activities	(12,039,520)	(12,331,850)

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TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2018	**2017**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	$ 1,202	$ (4,747)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	988,598	(1,524,490)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,631,544	7,704,517
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 7,620,142	$ 6,180,027

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

1. ORGANIZATION AND OPERATIONS

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

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

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

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements on July 26, 2018.

3. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

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

1) IFRS 9 "Financial Instruments" and related amendment

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

Classification, measurement and impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impact on assets, liabilities and equity for current period

	Carrying Amount as of January 1, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Current assets			
Contract assets	$ -	$ 6,581,745	$ 6,581,745
Accounts and notes receivable, net (including related parties)	14,677,500	(6,590,003)	8,087,497
Other current assets	45,391	96,786	142,177
Non-current assets			
Contract assets	-	4,003,625	4,003,625
Incremental costs of obtaining a contract	-	4,167,197	4,167,197
Other non-current assets	5,232,416	(3,995,367)	1,237,049
Total effect on assets	154,522,754	4,263,983	158,786,737
Current liabilities			
Contract liabilities	-	2,701,605	2,701,605
Accounts and notes payable	8,014,484	(27,058)	7,987,426
Other payables	11,224,440	6,320	11,230,760
Current tax liabilities	1,240,549	696,369	1,936,918
Advanced receipts	2,790,314	(2,705,867)	84,447
Other current liabilities	2,040,632	117,554	2,158,186
Non-current liabilities			
Contract liabilities	-	81,567	81,567
Total effect on liabilities	89,011,153	870,490	89,881,643
Equity			
Unappropriated earnings	14,735,424	3,393,532	18,128,956
Non-controlling interests	5,879,738	(39)	5,879,699
Total effect on equity	65,511,601	3,393,493	68,905,094

The reference information assuming the Group remains adopting IAS 18 Revenue as of June 30, 2018 is listed below:

	June 30, 2018
Current assets	
Contract assets	$ (5,898,363)
Accounts and notes receivable, net (including related parties)	5,898,363
Other current assets	(79,882)
Non-current assets	
Contract assets	(3,412,662)
Incremental costs of obtaining a contract	(3,568,033)
Other non-current assets	3,412,662
Total effect on assets	$ (3,647,915)
Current liabilities	
Contract liabilities	$ (2,221,654)
Accounts and notes payable	15,185
Current tax liabilities	(634,113)
Advanced receipts	2,224,023
Other current liabilities	(95,040)
Non-current liabilities	
Contract liabilities	(63,514)
Total effect on liabilities	$ (775,113)
Equity	
Unappropriated earnings	$ (2,872,815)
Non-controlling interests	13
Total effect on equity	$ (2,872,802)

Impact on total comprehensive income for current period

	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018
Operating revenues	$ (6,169)	$ (16,160)
Operating costs	3,555	(2,649)
Operating expenses	(355,525)	(595,449)
Income tax expense	35,571	61,247
Total effect on net profit for the period	310,230	520,691

(Continued)

	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018
Impact on net profit attributable to:		
Owners of the parent	$ 310,249	$ 520,717
Non-controlling interests	(19)	(26)
	$ 310,230	$ 520,691
Impact on earnings per share:		
Basic earnings per share	$ 0.11	$ 0.19
Diluted earnings per share	$ 0.10	$ 0.18

(Concluded)

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

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

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

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

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

IFRS 16 "Leases"

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

Definition of a lease

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

The Group as lessee

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

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

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

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

The Group as lessor

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

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.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021

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

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, 2017.

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, 2017.

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

			Percentage of Ownership			
Investor	**Subsidiary**	**Main Business and Products**	**June 30, 2018**	**December 31, 2017**	**June 30, 2017**	**Note**
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%	-
TWM	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%	-
	Taihsin Property Insurance Agent Co., Ltd. (TPIAC)	Property insurance agent	100.00%	100.00%	-	Note 2
	Tai-Fu Cloud Co., Ltd. (TFC)	Type II Telecommunications Business	100.00%	-	-	Note 3
WMT	TFN Media Co., Ltd. (TFNM)	Type II Telecommunications Business	100.00%	100.00%	100.00%	-
	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00%	100.00%	100.00%	-
	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00%	100.00%	100.00%	-
	Win TV Broadcasting Co., Ltd. (WTVB)	TV program provider	100.00%	100.00%	100.00%	-
	momo.com Inc. (momo)	Wholesale and retail sales	45.01%	45.01%	45.01%	-

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Ownership June 30, 2018	Percentage of Ownership December 31, 2017	Percentage of Ownership June 30, 2017	Note
TFN	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00%	100.00%	100.00%	Note 1
	TFN HK Ltd.	Telecommunications service provider	100.00%	100.00%	100.00%	-
TT&T	TT&T Holdings Co., Ltd. (TT&T Holdings)	Investment	-	100.00%	100.00%	Note 4
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 5
	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%	-
momo	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 June 30, 2018.

Note 2: Set up in December 2017.

Note 3: Set up in January 2018.

Note 4: Dissolved in February 2018.

Note 5: The other 70.47% of shares were held under trustee accounts.

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement category

2018

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss including relevant dividend or interest income. Fair value is determined in the manner described in Note 28.

ii. Financial assets at amortized cost

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

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

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

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

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

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

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

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

2017

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

i. Financial assets at FVTPL

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

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

ii. Available-for-sale financial assets

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

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

iii. Loans and receivables

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

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

2) Impairment of financial assets

<u>2018</u>

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

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

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

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

<u>2017</u>

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

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

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

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

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

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

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

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

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

3) Derecognition of financial assets

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

<u>2018</u>

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

<u>2017</u>

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

b. Equity instruments

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

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

c. Financial liabilities

1) Recognition

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

2) Convertible bonds

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

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

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

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

3) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

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

Incremental Costs of Obtaining a Contract

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

Impairment of Non-financial Assets

a. Goodwill

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

b. Other tangible and intangible assets

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

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

Revenue

<u>2018</u>

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

Telecommunications and value-added services revenue

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

Revenue from sale of goods

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

Cable television and broadband services revenue

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

Other operating income

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

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

2017

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

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

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

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

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

c. The amount can be reliably measured;

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

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

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

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

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

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

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

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

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

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. When tax rate changes during the interim period, the effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence. The effect of the change in tax rate relating to transactions recognized outside profit or loss is recognized as other comprehensive income in full in the period in which the change in tax rate occurs. The effect of the change in tax rate relating to transactions recognized in profit or loss is included in estimating the average annual income tax rate, and consequently recognized throughout 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 when preparing these interim consolidated financial statements as those that were applied in the preparation of the consolidated financial statements for the year ended December 31, 2017.

6. CASH AND CASH EQUIVALENTS

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand and revolving funds	$ 117,917	$ 158,956	$ 108,248
Cash in banks	4,644,284	1,604,849	1,818,332
Time deposits	890,755	2,458,907	2,358,871
Government bonds with repurchase rights and short-term notes and bills	1,967,186	2,408,832	1,894,576
	$ 7,620,142	$ 6,631,544	$ 6,180,027

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

	June 30, 2018
Investments in equity instruments - current	
Domestic investments	
Listed stock	$ 239,086
Foreign investments	
Unlisted stock	14,291
	$ 253,377
Non-current investments in equity instruments	
Domestic investments	
Listed stock	$ 3,342,116
Unlisted stock	177,706
Foreign investments	
Unlisted stock	27,249
Limited partnership	879,826
	$ 4,426,897

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017	June 30, 2017
Domestic listed stock	$ 3,829,968	$ 4,154,037
Limited partnership	785,065	806,070
Beneficiary certificates	845,806	757,312
Foreign unlisted stock	28,269	35,682
	$ 5,489,108	$ 5,753,101
Current	$ 1,104,467	$ 1,027,733
Non-current	4,384,641	4,725,368
	$ 5,489,108	$ 5,753,101

9. ACCOUNTS AND NOTES RECEIVABLE, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Notes receivable	$ 42,505	$ 126,321	$ 10,419
Accounts receivable	7,882,373	14,969,546	14,995,936
Less: Allowance for impairment loss	(476,233)	(524,842)	(570,692)
	$ 7,448,645	$ 14,571,025	$ 14,435,663

For the Six Months Ended June 30, 2018

The main credit terms range from 30 to 90 days.

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

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

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

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

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

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

June 30, 2018

		Overdue			
	Not past due	**1 to 120 days**	**121 to 365 days**	**Over 365 days**	**Total**
Gross carrying amount	$ 7,199,024	$ 438,636	$ 286,905	$ 313	$ 7,924,878
Loss allowance (Lifetime ECL)	(56,079)	(153,048)	(266,793)	(313)	(476,233)
Amortized cost	$ 7,142,945	$ 285,588	$ 20,112	$ -	$ 7,448,645

Expected credit loss rate

	Not Past Due and Past Due within 120 Days	**Past Due Over 120 Days**
Telecommunications service	0.02%~85%	66%~100%
Retail business and others	below 10%	35%~100%

Movements of the loss allowance of notes receivables were as follows:

	For the Six Months Ended June 30, 2018
Beginning balance (IAS 39)	$ 524,842
Effect of retrospective application of IFRS 9	(56,368)
Beginning balance (IFRS 9)	468,474
Add: Provision	195,295
Recovery	24,434
Less: Write-off	(211,970)
Ending balance	$ 476,233

For the six months ended June 30, 2017

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

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

	December 31, 2017	June 30, 2018
Neither past due nor impaired	$ 14,192,631	$ 14,134,781
Past due but not impaired		
Past due within 30 days	174,746	212,789
Past due 31-60 days	35,775	38,124
Past due 61-120 days	25,785	26,107
Past due 121-180 days	10,257	7,200
Past due over 180 days	5,510	6,243
	$ 14,444,704	$ 14,425,244

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

	For the Six Months Ended June 30, 2017
Beginning balance	$ 615,572
Add: Provision	138,294
Recovery	49,589
Less: Write-off	(232,763)
Ending balance	$ 570,692

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

Counterparty	Amount of Accounts Receivable Sold	Proceeds of the Sale of Accounts Receivable
April 2018		
Sin Lin Yang Management Consulting Co., Ltd.	$ 620,643	$ 37,590
May 2017		
Long Sun Asset Management Co., Ltd.	$ 727,245	$ 44,000

10. INVENTORIES

	June 30, 2018	December 31, 2017	June 30, 2017
Merchandise	$ 3,569,558	$ 4,319,254	$ 3,050,460
Materials for maintenance	11,712	12,555	32,175
	$ 3,581,270	$ 4,331,809	$ 3,082,635

For the three months and the six months ended June 30, 2018, the cost of goods sold related to the inventories amounted to $11,631,969 thousand and $24,971,837 thousand, respectively, which included the inventory write-down, totaling $21,500 thousand and $12,121 thousand, respectively.

For the three months and the six months ended June 30, 2017, the cost of goods sold related to the inventories amounted to $10,805,156 thousand and $22,328,414 thousand, respectively, which included the reversal of inventory write-down, totaling $21,607 thousand and $42,599 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

	June 30, 2018		December 31, 2017		June 30, 2017	
Investee Company	**Amount**	**% of Owner-ship**	**Amount**	**% of Owner-ship**	**Amount**	**% of Owner-ship**
Global Home Shopping Co., Ltd. (GHS) (Previously known as Beijing Global Gouguang Media Technology Co., Ltd.)	$ 736,425	20.00	$ 781,922	20.00	$ 765,384	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	403,146	17.70	401,192	17.70	408,435	17.70
Kbro Media Co., Ltd. (Kbro Media)	171,423	32.50	178,825	32.50	203,076	32.50
TVD Shopping Co., Ltd. (TVD Shopping)	117,431	35.00	117,462	35.00	153,378	35.00
Alliance Digital Tech Co., Ltd. (ADT)	13,231	14.40	14,451	14.40	29,568	14.40
	$ 1,441,656		$ 1,493,852		$ 1,559,841	

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.

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 stock issued by TPE and selling part of its stock when TPE went public. momo still has significant influence on TPE due to its having two seats on TPE’s board of directors.

c. TVD Shopping

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

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

d. ADT

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

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

12. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

	Proportion of Non-controlling Interests' Ownership and Voting Rights		
Subsidiary	**June 30, 2018**	**December 31, 2017**	**June 30, 2017**
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' summarized financial information below has taken into account the adjustments to acquisition-date fair value, and reflects the amounts before eliminations of intercompany transactions:

	June 30, 2018	**December 31, 2017**	**June 30, 2017**
Current assets	$ 4,362,349	$ 5,683,832	$ 4,422,677
Non-current assets	13,547,608	13,567,528	12,663,679
Current liabilities	(4,699,709)	(5,643,907)	(4,084,613)
Non-current liabilities	(273,010)	(266,474)	(259,424)
Equity	$ 12,937,238	$ 13,340,979	$ 12,742,319
Equity attributable to:			
Owners of the parent	$ 9,015,373	$ 9,195,737	$ 8,924,520
Non-controlling interests of momo	3,934,164	4,154,476	3,823,189
Non-controlling interests of momo's subsidiaries	(12,299)	(9,234)	(5,390)
	$ 12,937,238	$ 13,340,979	$ 12,742,319

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Operating revenues	$ 9,630,352	$ 7,693,294	$ 19,814,161	$ 15,274,820
Profit	$ 419,395	$ 351,049	$ 726,358	$ 659,311
Other comprehensive income (loss)	(22,258)	5,749	(14,011)	(49,592)
Comprehensive income	$ 397,137	$ 356,798	$ 712,347	$ 609,719
Profit (loss) attributable to:				
Owners of the parent	$ 189,421	$ 158,959	$ 328,301	$ 298,473
Non-controlling interests of momo	231,374	194,166	401,015	364,580
Non-controlling interests of momo's subsidiaries	(1,400)	(2,076)	(2,958)	(3,742)
	$ 419,395	$ 351,049	$ 726,358	$ 659,311
Comprehensive income (loss) attributable to:				
Owners of the parent	$ 179,359	$ 161,590	$ 322,043	$ 276,107
Non-controlling interests of momo	219,083	197,380	393,369	337,261
Non-controlling interests of momo's subsidiaries	(1,305)	(2,172)	(3,065)	(3,649)
	$ 397,137	$ 356,798	$ 712,347	$ 609,719

	For the Six Months Ended June 30	
	2018	2017
Net cash generated from operating activities	$ 728,640	$ 533,212
Net cash (used in) generated from investing activities	(577,734)	219,066
Net cash used in financing activities	(1,115,676)	(1,128,352)
Effect of exchange rate changes	81	(720)
Net decrease in cash	$ (964,689)	$ (376,794)
Dividends paid to non-controlling interests	$ (616,090)	$ (616,090)

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Telecommunications Equipment and Machinery	Miscellaneous Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost						
Balance, January 1, 2018	$ 8,250,857	$ 5,552,706	$ 84,505,063	$ 8,924,688	$ 1,766,195	$ 108,999,509
Additions	-	10,075	105,142	241,186	3,191,949	3,548,352
Reclassification	(20,134)	68,399	2,630,523	273,790	(2,999,107)	(46,529)
Disposals and retirements	(2,784)	(1,164)	(2,176,907)	(290,775)	(682)	(2,472,312)
Effect of exchange rate changes	-	-	957	62	-	1,019
Balance, June 30, 2018	$ 8,227,939	$ 5,630,016	$ 85,064,778	$ 9,148,951	$ 1,958,355	$ 110,030,039
Accumulated depreciation and impairment						
Balance, January 1, 2018	$ 83,426	$ 1,369,660	$ 59,427,788	$ 6,515,214	$ -	$ 67,396,088
Depreciation	-	78,291	4,268,323	663,227	-	5,009,841
Reversal of Impairment loss	(81,764)	(21,822)	-	-	-	(103,586)
Reclassification	-	(3,468)	(1,061)	-	-	(4,529)
Disposals and retirements	-	(439)	(2,121,804)	(283,221)	-	(2,405,464)
Effect of exchange rate changes	-	-	779	33	-	812
Balance, June 30, 2018	$ 1,662	$ 1,422,222	$ 61,574,025	$ 6,895,253	$ -	$ 69,893,162
Carrying amount, January 1, 2018	$ 8,167,431	$ 4,183,046	$ 25,077,275	$ 2,409,474	$ 1,766,195	$ 41,603,421
Carrying amount, June 30, 2018	$ 8,226,277	$ 4,207,794	$ 23,490,753	$ 2,253,698	$ 1,958,355	$ 40,136,877
Cost						
Balance, January 1, 2017	$ 8,291,858	$ 3,898,840	$ 89,243,221	$ 8,110,323	$ 2,999,439	$ 112,543,681
Additions	-	-	150,033	572,316	4,511,848	5,234,197
Reclassification	(29,572)	(10,910)	3,551,081	204,932	(3,761,490)	(45,959)
Disposals and retirements	(9,489)	(8,311)	(966,605)	(512,162)	(178)	(1,496,745)
Effect of exchange rate changes	-	-	(4,640)	(177)	-	(4,817)
Balance, June 30, 2017	$ 8,252,797	$ 3,879,619	$ 91,973,090	$ 8,375,232	$ 3,749,619	$ 116,230,357
Accumulated depreciation and impairment						
Balance, January 1, 2017	$ 83,426	$ 1,272,965	$ 62,639,823	$ 6,132,238	$ -	$ 70,128,452
Depreciation	-	52,807	4,562,527	513,533	-	5,128,867
Reclassification	-	(4,807)	-	223	-	(4,584)
Disposals and retirements	-	(3,093)	(906,262)	(508,114)	-	(1,417,469)
Effect of exchange rate changes	-	-	(3,987)	(70)	-	(4,057)
Balance, June 30, 2017	$ 83,426	$ 1,317,872	$ 66,292,101	$ 6,137,810	$ -	$ 73,831,209
Carrying amount, June 30, 2017	$ 8,169,371	$ 2,561,747	$ 25,680,989	$ 2,237,422	$ 3,749,619	$ 42,399,148

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

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

b. The non-cash investing activities of the Group for the six months ended June 30, 2018 and 2017 were as follows:

	For the Six Months Ended June 30	
	2018	2017
Acquisition of property, plant and equipment	$ 3,548,352	$ 5,234,197
Non-cash investing activities		
Changes in other payables	593,088	(499,992)
Changes in provisions	(11,840)	(19,149)
Cash paid for acquisition of property, plant and equipment	$ 4,129,600	$ 4,715,056

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

14. INVESTMENT PROPERTIES

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

The fair values of investment properties were measured using Level 3 inputs, using income approach, comparative approach, and cost approach by HomeBan Appraisers Joint Firm. As of June 30, 2018, December 31, 2017 and June 30, 2017, the fair values of investment properties were $6,758,719 thousand, $6,720,319 thousand and $6,708,162 thousand, respectively, and the capitalization rates for the three periods were all 0.94%-5.23%.

The amount of depreciation recognized for the three months and six months ended June 30, 2018 and 2017 were $4,995 thousand, $5,788 thousand, $9,957 thousand, and $14,418 thousand, respectively.

15. INTANGIBLE ASSETS

	Concessions			Other Intangible Assets					
	Concession Licenses	Service Concessions	Goodwill	Computer Software	Customer Relationships	Operating Rights	Trademarks	Copyrights	Total
Cost									
Balance, January 1, 2018	$ 51,324,375	$ 8,180,078	$ 15,845,930	$ 3,529,068	$ 2,654,089	$ 1,382,000	$ 2,517,866	$ -	$ 85,433,406
Addition	-	-	-	173,311	-	-	-	1,071	174,382
Disposals and retirements	(3,427,000)	-	-	(48,566)	-	-	-	-	(3,475,566)
Reclassification	-	-	-	148,962	-	-	-	-	148,962
Effect of exchange rate changes	-	-	-	158	-	-	-	-	158
Balance, June 30, 2018	$ 47,897,375	$ 8,180,078	$ 15,845,930	$ 3,802,933	$ 2,654,089	$ 1,382,000	$ 2,517,866	$ 1,071	$ 82,281,342
Accumulated amortization and impairment									
Balance, January 1, 2018	$ 14,981,287	$ 852,586	$ -	$ 2,851,117	$ 1,374,263	$ -	$ 1,333	$ -	$ 20,060,586
Amortization	1,412,139	89,360	-	241,141	68,200	-	81	-	1,810,921
Disposals and retirements	(3,302,382)	-	-	(48,566)	-	-	-	-	(3,350,948)
Effect of exchange rate changes	-	-	-	89	-	-	-	-	89
Balance, June 30, 2018	$ 13,091,044	$ 941,946	$ -	$ 3,043,781	$ 1,442,463	$ -	$ 1,414	$ -	$ 18,520,648
Carrying amount, January 1, 2018	$ 36,343,088	$ 7,327,492	$ 15,845,930	$ 677,951	$ 1,279,826	$ 1,382,000	$ 2,516,533	$ -	$ 65,372,820
Carrying amount, June 30, 2018	$ 34,806,331	$ 7,238,132	$ 15,845,930	$ 759,152	$ 1,211,626	$ 1,382,000	$ 2,516,452	$ 1,071	$ 63,760,694

(Continued)

	Concessions			Other Intangible Assets					
	Concession Licenses	Service Concessions	Goodwill	Computer Software	Customer Relationships	Operating Rights	Trademarks	Copyrights	Total
Cost									
Balance, January 1, 2017	$ 42,724,375	$ 8,180,078	$ 15,845,930	$ 3,289,415	$ 2,654,089	$ 1,382,000	$ 2,517,866	$ -	$ 76,593,753
Addition	-	-	-	92,109	-	-	-	-	92,109
Disposals and retirements	-	-	-	(75,829)	-	-	-	-	(75,829)
Reclassification	-	-	-	140,581	-	-	-	-	140,581
Effect of exchange rate changes	-	-	-	(752)	-	-	-	-	(752)
Balance, June 30, 2017	$ 42,724,375	$ 8,180,078	$ 15,845,930	$ 3,445,524	$ 2,654,089	$ 1,382,000	$ 2,517,866	$ -	$ 76,749,862
Accumulated amortization and impairment									
Balance, January 1, 2017	$ 12,366,275	$ 673,867	$ -	$ 2,636,599	$ 1,237,863	$ -	$ 1,167	$ -	$ 16,915,771
Amortization	1,241,468	89,359	-	228,255	68,200	-	86	-	1,627,368
Disposals and retirements	-	-	-	(75,829)	-	-	-	-	(75,829)
Reclassification	-	-	-	(223)	-	-	-	-	(223)
Effect of exchange rate changes	-	-	-	(519)	-	-	-	-	(519)
Balance, June 30, 2017	$ 13,607,743	$ 763,226	$ -	$ 2,788,283	$ 1,306,063	$ -	$ 1,253	$ -	$ 18,466,568
Carrying amount, June 30, 2017	$ 29,116,632	$ 7,416,852	$ 15,845,930	$ 657,241	$ 1,348,026	$ 1,382,000	$ 2,516,613	$ -	$ 58,283,294

(Concluded)

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

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

a. Concession licenses

In June 2018, TWM returned upload/download 5MHz of bandwidth within the 2100MHz band for the 3G spectrum in advance.

b. Service concessions

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

c. Customer relationships, trademarks, and operating rights

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

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

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

3) On July 13, 2011, WMT, one of TWM's wholly-owned subsidiaries, acquired more than 50% of momo. TWM measured the fair value of acquired assets and viewed momo's retail business as one cash-generating unit. Accordingly, trademarks are identified as major intangible assets.

d. Goodwill

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

	June 30, 2018	December 31, 2017	June 30, 2017
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	4,979,566	4,979,566	4,979,566
	$ 15,845,930	$ 15,845,930	$ 15,845,930

e. Impairment of assets

See Note 14 (e) to the consolidated financial statements for the year ended December 31, 2017 for the related information on impairment of assets. There was no significant evidence indicating impairment of assets as of June 30, 2018.

16. OTHER NON-CURRENT ASSETS

	June 30, 2018	December 31, 2017	June 30, 2017
Long-term accounts receivable	$ 63,832	$ 4,059,680	$ 4,283,275
Refundable deposits	625,818	608,184	611,290
Prepayments for equipment	32,534	61,914	58,772
Others	512,114	502,638	504,026
	$ 1,234,298	$ 5,232,416	$ 5,457,363

17. BORROWINGS

a. Short-term borrowings

	June 30, 2018	December 31, 2017	June 30, 2017
Unsecured loans	$ 63,055	$ 9,662,318	$ 1,910,922
Annual interest rate	5.44%	0.7%-5.44%	0.72%-5.22%

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

b. Short-term notes and bills payable

	June 30, 2018	December 31, 2017	June 30, 2017
Short-term notes and bills payable	$ -	$ 5,600,000	$ -
Less: Discount on short-term notes and bills payable	-	(4,108)	-
	$ -	$ 5,595,892	$ -
Annual interest rate	-	0.528%-0.75%	-

c. Long-term borrowings

	June 30, 2018	December 31, 2017	June 30, 2017
Unsecured loans	$ 11,000,000	$ 19,000,000	$ 18,756,000
Secured loans	3,294,320	3,395,962	2,868,691
Less: Current portion	(5,203,310)	(8,203,289)	(5,353,782)
	$ 9,091,010	$ 14,192,673	$ 16,270,909
Annual interest rate:			
Unsecured loans	0.72%-1.22%	0.72%-1.26%	0.7%-1.9926%
Secured loans	2.0337%	2.0337%	2.2211%

1) Unsecured loans

The Group entered into credit facility agreements with a group of banks for mid-term requirements of operating capital. The credit facilities last from 2 to 3 years from the date of drawdown or contracting, and the interest is paid periodically. Under certain credit agreements, the loans are treated as revolving credit facilities, and the maturity dates of the loans are based on terms under the agreements. In addition, the expiry date of the repayments is in April 2020, and some credit facilities are subject to financial covenants regarding debt ratios and interest protection multiples during the credit facility period.

2) Secured loans

On January 22, 2010, TNH entered into a syndicated loan agreement, with respect to the investment under the aforementioned BOT contract, with a group of banks for which the credit facility is managed by Bank of Taiwan. The aggregate credit and guarantee amount were up to $3,565,000 thousand for 7 years, including the grace period of 4 years, with interest payments on a monthly basis. In addition, TNH signed another credit agreement with Bank of Taiwan for a $3,400,000 thousand credit amount and a $65,000 thousand guarantee amount on September 5, 2017. The agreement started from the date of the first drawdown of the loan and would last for 7 years with interest payments made on a monthly basis. In accordance with the loan agreement, the regular financial covenants, e.g. current ratio, equity ratio, and interest protection multiples, must be complied with during the credit facility period. For property under the BOT contract and its superficies that have been pledged as collateral, see Note 30.

18. BONDS PAYABLE

	June 30, 2018	December 31, 2017	June 30, 2017
3rd domestic unsecured straight corporate bonds	$ 8,999,336	$ 8,998,958	$ 8,998,581
4th domestic unsecured straight corporate bonds	-	2,899,901	2,899,703
5th domestic unsecured straight corporate bonds	14,985,068	-	-
3rd domestic unsecured convertible bonds	9,693,958	9,650,076	9,605,670
Less: Current portion	(4,499,830)	(7,399,528)	(2,899,703)
	$ 29,178,532	$ 14,149,407	$ 18,604,251

a. 3rd domestic unsecured straight corporate bonds

On December 20, 2012, TWM issued $9,000,000 thousand of seven-year 3rd domestic unsecured straight corporate 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 June 30, 2018, the amount of unamortized bond issue cost was $664 thousand. The trustee of bond holders is Hua Nan Commercial Bank.

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

Year	Amount
In the fourth quarter of 2018	$ 4,500,000
2019	4,500,000
	$ 9,000,000

b. 4th domestic unsecured straight corporate bonds

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

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

c. 5th domestic unsecured straight corporate bonds

On April 20, 2018, TWM issued 5th domestic unsecured straight corporate bonds. The bonds included five-year and seven-year bonds, with the principal amount of $6,000,000 thousand and $9,000,000 thousand, each having a face value of $10,000 thousand, and coupon rates of 0.848% and 1% per annum, respectively, with simple interest due annually. Full repayment will be made in the fifth and seventh years. As of June 30, 2018, the amount of unamortized bond issue cost was $14,932 thousand. The trustee of bond holders is Bank of Taiwan.

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

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

d. 3rd domestic unsecured convertible bonds

On November 22, 2016, TWM issued its 3rd domestic five-year unsecured zero-coupon convertible bonds with an aggregate principal amount of $10,000,000 thousand and a par value of $100 thousand per bond certificate. The conversion price is set initially at $116.1 per share. The conversion price should be adjusted according to the prescribed formula and has been adjusted to $110.3 per share since July 17, 2017. Except for the book closure period, bondholders are entitled to convert bonds into TWM's common stock from December 23, 2016 to November 22, 2021. The trustee of bond holders is Bank of Taiwan.

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

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

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

Proceeds of the issuance (minus transaction costs $10,870 thousand)	$ 9,989,130
Equity component	(400,564)
Financial liabilities	(35,961)
Liability component at the date of issuance	9,552,605
Interest charged at an effective interest rate	53,065
Liability component at June 30, 2017	$ 9,605,670

Liability component at January 1, 2018	$ 9,650,076
Interest charged at an effective interest rate	43,882
Liability component at June 30, 2018	$ 9,693,958

As of June 30, 2018, the amount of unamortized bond issue cost was $306,042 thousand.

19. PROVISIONS

	June 30, 2018	December 31, 2017	June 30, 2017
Restoration	$ 1,192,374	$ 1,208,093	$ 1,191,576
Decommissioning	240,954	213,372	187,201
Warranties	104,520	128,412	155,122
	$ 1,537,848	$ 1,549,877	$ 1,533,899
Current	$ 156,727	$ 178,008	$ 204,248
Non-current	1,381,121	1,371,869	1,329,651
	$ 1,537,848	$ 1,549,877	$ 1,533,899

	Restoration	Decom-missioning	Warranties	Total
Balance, January 1, 2018	$ 1,208,093	$ 213,372	$ 128,412	$ 1,549,877
Provision	25,498	24,480	52,610	102,588
Payment/Reversal	(43,956)	-	(76,502)	(120,458)
Unwinding of discount	2,739	3,102	-	5,841
Balance, June 30, 2018	$ 1,192,374	$ 240,954	$ 104,520	$ 1,537,848
Balance, January 1, 2017	$ 1,186,572	$ 160,923	$ 161,066	$ 1,508,561
Provision	32,541	23,860	90,737	147,138
Payment/Reversal	(30,905)	-	(96,681)	(127,586)
Unwinding of discount	3,368	2,418	-	5,786
Balance, June 30, 2017	$ 1,191,576	$ 187,201	$ 155,122	$ 1,533,899

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Domestic firms of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed and defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The employees of the Group's subsidiaries in other countries are participants of state-managed retirement benefit plans operated by local governments. In accordance with the above provision, the Group's contribution to the pension plan amounted to $75,905 thousand and $72,920 thousand for the three months ended June 30, 2018 and 2017, respectively, and $152,423 thousand and $146,777 thousand for the six months ended June 30, 2018 and 2017, respectively.

b. Defined benefit plan

The Group recognized pension amount of $1,996 thousand and $1,830 thousand for the three months ended June 30, 2018 and 2017, respectively, and $3,992 thousand and $3,659 thousand for the six months ended June 30, 2018 and 2017, respectively, by using the actuarially determined pension cost rate.

21. EQUITY

a. Common stock

As of June 30, 2018, December 31, 2017, and June 30, 2017, the TWM's capital authorized was $60,000,000 thousand and capital issued and outstanding was $34,208,328 thousand. The issued capital was divided into 3,420,833 thousand shares, which were all common stocks, at a par value of $10.

b. Capital surplus

	June 30, 2018	December 31, 2017	June 30, 2017
Additional paid-in capital from convertible corporate bonds	$ 6,075,515	$ 7,708,764	$ 7,708,764
Treasury stock transactions	5,159,704	5,159,704	5,159,704
Difference between consideration and carrying amount arising from the disposal of subsidiaries' stock	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	400,564
Changes in equity of associates accounted for using equity method	39,767	39,767	36,014
Others	32,952	32,952	15,418
	$ 12,306,029	$ 13,939,278	$ 13,917,991

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

c. Appropriation of earnings and dividend policy

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

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

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

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

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

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

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

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

As of June 30, 2018, the cash dividends and the cash return from capital surplus to shareholders of TWM amounted to $15,243,655 thousand and were recognized under dividends payable.

d. Other equity interests

	Exchange Differences on Translation	**Unrealized Gain (Loss) on Financial Assets at FVTOCI**	**Unrealized Gain (Loss) on Available-for-sale Financial Assets**	**Total**
Balance, January 1, 2018	$ (16,499)	$ -	$ (346,204)	$ (362,703)
Effect of retrospective application of IFRS 9	-	(281,785)	346,204	64,419
Adjusted balance, January 1, 2018	(16,499)	(281,785)	-	(298,284)
Exchange differences on translation	5,353	-	-	5,353
Changes in fair value of FVTOCI - financial asset	-	(144,359)	-	(144,359)
Changes in other comprehensive income (loss) of associates accounted for using equity method	(1,703)	(6,628)	-	(8,331)
Balance, June 30, 2018	$ (12,849)	$ (432,772)	$ -	$ (445,621)
Balance, January 1, 2017	$ (9,133)	$ -	$ (680,901)	$ (690,034)
Exchange differences on translation	(15,276)	-	-	(15,276)
Changes in fair value of available-for-sale financial assets	-	-	726,062	726,062
Changes in other comprehensive income (loss) of associates accounted for using equity method	257	-	(24,158)	(23,901)
Balance, June 30, 2017	$ (24,152)	$ -	$ 21,003	$ (3,149)

e. Treasury stock

As of June 30, 2018, December 31, 2017 and June 30, 2017, TWM's stocks held for the investment purposes by TCCI, TUI and TID, which are all wholly-owned by TWM, were 698,752 thousand shares, and the market values were $77,212,052 thousand, $75,115,797 thousand and $80,007,058 thousand, respectively. Since TWM's stocks held by its subsidiaries are regarded as treasury stock, TWM recognized $29,717,344 thousand as treasury stock. For those treasury stock holders, they have the same rights as the other shareholders, except that they are not allowed to subscribe new shares issued by TWM for cash and exercise the voting rights over such treasury stock.

f. Non-controlling interests

	For the Six Months Ended June 30	
	2018	2017
Beginning balance	$ 5,879,738	$ 5,769,645
Effect of retrospective application	(39)	-
Adjusted beginning balance	5,879,699	5,769,645
Portion attributable to non-controlling interests		
Profit	426,814	388,612
Exchange differences on translation	5,061	(13,645)
Unrealized gain (loss) at fair value of FVTOCI - financial asset	(8,695)	-
Unrealized losses on available-for-sale financial assets	-	(10,044)
Remeasurements from defined benefit plans	146	-
Share of other comprehensive income (loss) of associates accounted for using equity method	(4,257)	(3,537)
Changes in equity of associates accounted for using equity method	2,409	-
Cash dividends paid to non-controlling interests of subsidiaries	(616,452)	(616,647)
Ending balance	$ 5,684,725	$ 5,514,384

22. OPERATING REVENUES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Revenue from contracts with customers				
Telecommunications and value-added services	$ 13,988,459	$ 14,395,547	$ 27,735,823	$ 29,209,191
Sales revenue	12,661,140	11,614,560	27,397,084	23,861,345
Cable TV and broadband services	1,551,167	1,566,343	3,106,812	3,143,452
Other operating revenues	339,342	227,436	606,708	430,546
	$ 28,540,108	$ 27,803,886	$ 58,846,427	$ 56,644,534

a. Contract information

Please refer to Note 4(f) and Note 34.

b. Contract balances

	June 30, 2018
Contract assets	
Bundle sales	$ 9,390,648
Less: Allowance for impairment loss	(79,623)
	$ 9,311,025
Current	$ 5,898,363
Non-current	3,412,662
	$ 9,311,025

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

	June 30, 2018
Contract liabilities	
Telecommunications and value-added services	$ 1,430,709
Sales of goods	92,738
Cable TV and broadband services	740,650
Others	21,071
	$ 2,285,168
Current	$ 2,221,654
Non-current	63,514
	$ 2,285,168

c. Incremental costs of obtaining a contract

	June 30, 2018
Incremental costs of obtaining a contract - non-current	$ 3,568,033

The Group considered the past experience and the default clauses in the sale contracts and believed the commission paid for obtaining a contract is wholly recoverable. Amortization recognized for the three months and six months ended June 30, 2018 were $921,671 thousand and $1,825,629 thousand, respectively.

23. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Interest income	$ 14,680	$ 40,863	$ 33,709	$ 82,367
Dividend income	5,081	7,699	5,081	7,699
Other income	21,323	35,203	38,304	76,522
	$ 41,084	$ 83,765	$ 77,094	$ 166,588

b. Other gains and losses, net

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Loss on disposal of property, plant and equipment, net	$ (9,568)	$ (30,167)	$ (31,699)	$ (53,985)
Loss on disposal of intangible assets, net	(124,618)	-	(124,618)	-
Valuation gain (loss) on financial assets at FVTPL	6,394	(21,397)	(22,453)	(36,299)
Valuation gain on financial liabilities at FVTPL	2,000	7,000	5,000	28,000
Reversal of impairment loss on property, plant and equipment	103,586	-	103,586	-
Gain (loss) on foreign exchange	13,359	14,477	12,663	(72,901)
Gain on disposal of investments	-	680	-	692
Others	(1,437)	(7,763)	(2,997)	(21,816)
	$ (10,284)	$ (37,170)	$ (60,518)	$ (156,309)

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Interest expense				
Bank loans	$ 52,224	$ 72,028	$ 130,252	$ 153,514
Corporate bonds	82,814	64,130	143,858	134,324
Others	11,401	10,207	29,529	20,021
	146,439	146,365	303,639	307,859
Less: Capitalized interest	(1,782)	(548)	(3,228)	(1,864)
	$ 144,657	$ 145,817	$ 300,411	$ 305,995
Capitalization rates	1.34%	1.33%	1.34%	1.33%

24. INCOME TAX

a. Income tax recognized in profit or loss

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Current income tax expense				
Current period	$ 785,568	$ 854,938	$ 1,660,103	$ 1,681,667
Prior years' adjustment	(74,222)	(76,018)	(85,060)	(76,018)
Others	(10,198)	-	(32,253)	-
	701,148	778,920	1,542,790	1,605,649
Deferred income tax expense				
Temporary differences	86,400	1,597	142,398	(63,168)
Changes in tax rates	(899)	-	1,962	-
	85,501	1,597	144,360	(63,168)
Income tax expense	$ 786,649	$ 780,517	$ 1,687,150	$ 1,542,481

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

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Deferred income tax expense (income)				
Current period - Unrealized gain (loss) on financial assets at FVTOCI	$ 18,806	$ -	$ 18,806	$ -
Changes in tax rates - Remeasurements from defined benefit plans	-	-	(18,302)	-
	$ 18,806	$ -	$ 504	$ -

c. Income tax examinations

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

Company	Year
TWM	2015
TCC	2016
WMT	2016
TNH	2016
TFN	2015
TT&T	2016
TCCI	2016

(Continued)

Company	Year
TDC	2016
TDS	2016
TFNM	2016
GFMT	2016
GWMT	2016
WTVB	2016
TUI	2016
TID	2016
TKT	2015
YJCTV	2016
MCTV	2016
PCTV	2016
UCTV	2016
GCTV	2016
momo	2015
FLI	2016
FPI	2016
FST	2016

(Concluded)

25. EARNINGS PER SHARE

	For the Three Months Ended June 30, 2018		
	Amount After Income Tax	Weighted-average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of the parent	$ 3,796,878	2,722,081	$ 1.39
Effect of potential dilutive common stock			
Employees' compensation	-	2,101	
Convertible bonds	20,087	90,662	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	$ 3,816,965	2,814,844	$ 1.36

	For the Three Months Ended June 30, 2017		
	Amount After Income Tax	Weighted-average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of the parent	$ 3,828,007	2,722,081	$ 1.40
Effect of potential dilutive common stock			
Employees' compensation	-	2,141	
Convertible bonds	14,886	86,133	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	$ 3,842,893	2,810,355	$ 1.37

	For the Six Months Ended June 30, 2018		
	Amount After Income Tax	Weighted-average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of the parent	$ 7,278,238	2,722,081	$ 2.67
Effect of potential dilutive common stock			
Employees' compensation	-	2,797	
Convertible bonds	38,882	90,662	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	$ 7,317,120	2,815,540	$ 2.60

	For the Six Months Ended June 30, 2017		
	Amount After Income Tax	Weighted-average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of the parent	$ 7,789,181	2,722,081	$ 2.86
Effect of potential dilutive common stock			
Employees' compensation	-	2,735	
Convertible bonds	15,482	86,133	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	$ 7,804,663	2,810,949	$ 2.78

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

26. OPERATING LEASES

a. Lessee

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

	June 30, 2018	December 31, 2017	June 30, 2017
Less than one year	$ 3,217,774	$ 3,190,293	$ 3,067,857
Between one and five years	5,376,299	5,301,622	4,638,622
More than five years	67,997	71,922	78,569
	$ 8,662,070	$ 8,563,837	$ 7,785,048

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

The payments of leases and subleases were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Minimum lease payment	$ 948,667	$ 926,330	$ 1,897,227	$ 1,846,401
Sublease payment	(2,031)	(832)	(4,889)	(2,043)
	$ 946,636	$ 925,498	$ 1,892,338	$ 1,844,358

b. Lessor

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

	June 30, 2018	December 31, 2017	June 30, 2017
Less than one year	$ 152,398	$ 145,965	$ 149,629
Between one and five years	557,335	546,723	545,657
More than five years	93,291	157,515	221,739
	$ 803,024	$ 850,203	$ 917,025

27. CAPITAL MANAGEMENT

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

28. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets			
Financial assets at FVTPL	$ 131,527	$ -	$ 3,035
Financial assets at FVTOCI (including current and non-current portions)	4,680,274	-	-
Available-for-sale financial assets (including current and non-current portions)	-	5,489,108	5,753,101
Financial assets carried at cost	-	171,221	188,548
Financial assets measured at amortized cost (including current and non-current portions) (Note 1)	18,806,694	-	-
Loans and receivables (including current and non-current portions) (Note 2)	-	31,158,221	30,344,132
Total	$ 23,618,495	$ 36,818,550	$ 36,288,816
Financial liabilities			
Financial liabilities measured at amortized cost (including current and non-current portions) (Note 3)	$ 80,967,483	$ 80,206,990	$ 78,532,631
Financial liabilities at FVTPL	4,961	9,961	13,961
Total	$ 80,972,444	$ 80,216,951	$ 78,546,592

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

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

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

b. Fair value of financial instruments

1) Financial instruments not at fair value

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

	June 30, 2018		December 31, 2017		June 30, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities						
Bonds payable (including current portion)	$ 33,678,362	$ 34,464,540	$ 21,548,935	$ 22,151,528	$ 21,503,954	$ 22,208,561

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

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

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

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

June 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Beneficiary certificates	$ 131,527	$ -	$ -	$ 131,527
Financial assets at FVTOCI				
Equity instruments				
Domestic listed stock	$ 3,581,202	$ -	$ -	$ 3,581,202
Domestic unlisted stocks	-	-	177,706	177,706
Limited partnerships	-	-	879,826	879,826
Foreign unlisted stocks	-	14,291	27,249	41,540
	$ 3,581,202	$ 14,291	$ 1,084,781	$ 4,680,274
Financial liabilities at FVTPL	$ -	$ 4,961	$ -	$ 4,961

December 31, 2017

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

June 30, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	$ -	$ -	$ 3,035	$ 3,035
Available-for-sale financial assets				
Domestic listed stock	$ 4,154,037	$ -	$ -	$ 4,154,037
Limited partnerships	-	-	806,070	806,070
Beneficiary certificates	757,312	-	-	757,312
Foreign unlisted stocks	-	35,682	-	35,682
	$ 4,911,349	$ 35,682	$ 806,070	$ 5,753,101
Financial liabilities at FVTPL	$ -	$ 13,961	$ -	$ 13,961

There was no transfer between the fair value measurements of Levels 1 and 2 for the six months ended June 30, 2018 and 2017.

Valuation techniques and assumptions used in fair value determination

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

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

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

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

i. Hybrid instruments

Convertible notes were redeemed at maturity in May 2018.

The embedded derivatives instruments of convertible notes are evaluated by using binary tree evaluation models to evaluate fair value, considering significant unobservable inputs are historical volatility of stock prices and liquidity discount rate. As of December 31 and June 30, 2017, the historical volatility of stock prices was estimated at 45.1% and 49.4%, and the liquidity discount rate was estimated at 10.53% and 16%, 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.

ii. Equity instruments

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

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

For the six months ended June 30, 2018

	Financial Assets at FVTPL - Convertible Notes	Financial Assets at FVTOCI - Equity Instruments - Limited Partnerships
Balance at January 1, 2018	$ 490,931	$ 956,286
Recognized in profit or loss (Gain on financial assets at FVTPL)	261	-
Recognized in other comprehensive income (Unrealized gain on financial assets at FVTOCI)	-	128,495
Redeem	(491,192)	-
Balance at June 30, 2018	$ -	$ 1,084,781

For the six months ended June 30, 2017

	Financial Assets at Fair Value Through Profit or Loss - Derivative Instruments	Available-for-sale Financial Assets - Limited Partnerships
Balance at January 1, 2017	$ 42,030	$ -
Purchase	-	810,865
Recognized in profit or loss		
Loss on financial assets at FVTPL	(36,299)	-
Unrealized loss on foreign currency exchange	(2,696)	-
Recognized in other comprehensive income		
Unrealized loss on available-for-sale financial assets	-	(4,795)
Balance at June 30, 2017	$ 3,035	$ 806,070

c. Financial risk management

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

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

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

2) Risk management framework

a) Decision-making mechanism

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

b) Risk management policies

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

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

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

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

c) Monitoring mechanism

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

3) Credit risk

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

4) Liquidity risk

Liquidity risk is the risk that 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. As of June 30, 2018, December 31, 2017 and June 30, 2017, the Group had unused bank facilities of $67,638,462 thousand, $52,113,192 thousand and $62,437,995 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
June 30, 2018				
Unsecured loans	$ 11,171,486	$ 5,141,660	$ 6,029,826	$ -
Secured loans	3,649,693	269,516	1,036,575	2,343,602
Bonds payable	35,065,300	4,761,480	21,123,820	9,180,000
	$ 49,886,479	$ 10,172,656	$ 28,190,221	$ 11,523,602
December 31, 2017				
Unsecured loans	$ 28,838,139	$ 17,821,716	$ 11,016,423	$ -
Secured loans	3,786,006	271,590	1,044,872	2,469,544
Short-term notes and bills payable	5,600,000	5,600,000	-	-
Bonds payable	22,118,310	7,558,010	14,560,300	-
	$ 60,342,455	$ 31,251,316	$ 26,621,595	$ 2,469,544
June 30, 2017				
Unsecured loans	$ 20,929,754	$ 7,229,997	$ 13,699,757	$ -
Secured loans	3,043,131	270,806	2,772,325	-
Bonds payable	22,238,910	3,058,010	19,180,900	-
	$ 46,211,795	$ 10,558,813	$ 35,652,982	$ -

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:

	June 30, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Foreign currency assets			
Monetary items			
RMB	$ 17,881	4.614	$ 82,501
USD	27,268	30.575	833,722
EUR	765	35.36	27,065
Non-monetary items			
RMB	159,607	4.614	736,425
USD	29,667	30.575	907,075
HKD	3,668	3.896	14,291
THB	127,131	0.924	117,431
Foreign currency liabilities			
Monetary items			
USD	12,065	30.575	368,893
EUR	34	35.36	1,209

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

	June 30, 2017		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Foreign currency assets</u>			
Monetary items			
RMB	$ 8,683	4.476	$ 38,864
USD	25,836	30.37	784,671
HKD	111,840	3.891	435,169
EUR	950	34.71	32,963
Non-monetary items			
RMB	170,997	4.476	765,384
USD	26,542	30.37	806,070
HKD	9,950	3.891	38,717
THB	170,382	0.9002	153,378
<u>Foreign currency liabilities</u>			
Monetary items			
RMB	4,444	4.476	19,891
USD	9,145	30.37	277,761
EUR	32	34.71	1,104

The Group's foreign exchange gains and losses, including realized and unrealized, for the three months ended June 30, 2018 and 2017, were net exchange gain of $13,359 thousand and $14,477 thousand, respectively. For the six months ended June 30, 2018 and 2017, net exchange gain amounted to $12,663 thousand and net exchange loss amounted to $72,901 thousand, respectively. Due to the variety of functional currencies, the Group could not disclose the foreign exchange gains (losses) for each foreign currency with significant influence.

<u>Sensitivity analysis</u>

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts denominated in monetary items of foreign currencies. If there had been an unfavorable 5% movement in the levels of foreign exchanges against NTD at the end of the reporting period (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have decreased by $28,659 thousand and $49,646 thousand for the six months ended June 30, 2018 and 2017, respectively.

b) Interest rate risk

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

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

	June 30, 2018	December 31, 2017	June 30, 2017
Fair value interest rate risk			
Financial assets	$ 4,223,186	$ 7,657,551	$ 7,085,188
Financial liabilities	28,984,404	31,194,752	20,748,284
Cash flow interest rate risk			
Financial assets	4,732,372	1,714,113	1,841,529
Financial liabilities	9,357,375	18,358,279	14,685,613

Sensitivity analysis

The following sensitivity analysis is based on the exposure to interest rate risk of derivative and non-derivative instruments at the end of the reporting period. For floating-rate assets and liabilities, the analysis assumes that the balances of outstanding assets and liabilities at the end of the reporting period have been outstanding for the whole period and that the changes in interest rates are reasonable. If the interest rate had increased by 50 basis points (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have decreased by $11,563 thousand and $32,110 thousand for the six months ended June 30, 2018 and 2017, respectively.

c) Other market price risk

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

Sensitivity analysis

If the prices of equity instruments had decreased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), profit would have decreased by $6,576 thousand since the fair value of financial assets at FVTPL decreased for the six months ended June 30, 2018; other comprehensive income would have decreased by $234,014 thousand since the fair value of financial assets at FVTOCI decreased for the six months ended June 30, 2018; and other comprehensive income would have decreased by $287,655 thousand since the fair value of available-for-sale financial assets decreased for the six months ended June 30, 2017.

29. RELATED-PARTY TRANSACTIONS

a. Parent company and ultimate controlling party

TWM is the ultimate controlling party of the Group.

b. Related party name and nature of relationship

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

(Continued)

Related Party	Nature of Relationship
Fubon Charity Foundation	Other related parties
Fubon Art Foundation	Other related parties
Taipei Fubon Bank Charity Foundation	Other related parties
Taipei New Horizon Management Agency	Other related parties

(Concluded)

c. Significant transactions with related parties

1) Operating revenue

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Associates	$ 21,219	$ 8,796	$ 38,352	$ 15,357
Other related parties	199,195	196,309	377,428	414,905
	$ 220,414	$ 205,105	$ 415,780	$ 430,262

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

2) Purchases

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Associates	$ 96,918	$ 98,090	$ 209,294	$ 196,708
Other related parties	245,080	104,123	477,725	311,638
	$ 341,998	$ 202,213	$ 687,019	$ 508,346

The entities mentioned above provide logistics, copyright 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	June 30, 2018	December 31, 2017	June 30, 2017
Accounts receivable	Associates	$ 10,137	$ 7,405	$ 4,945
Accounts receivable	Other related parties	120,910	99,070	128,697
		$ 131,047	$ 106,475	$ 133,642
Other receivables	Associates	$ 102,503	$ 123,781	$ 70,919
Other receivables	Other related parties	46,410	83,789	42,272
		$ 148,913	$ 207,570	$ 113,191

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

4) Payables due to related parties

Account	Related Party Categories	June 30, 2018	December 31, 2017	June 30, 2017
Accounts payable	Associates	$ 86,820	$ 502	$ 697
Accounts payable	Other related parties	81,779	129,130	68,882
		$ 168,599	$ 129,632	$ 69,579
Other payables	Associates	$ 304	$ 95,714	$ 35,624
Other payables	Other related parties	84,628	67,709	77,655
		$ 84,932	$ 163,423	$ 113,279

5) Prepayments

	June 30, 2018	December 31, 2017	June 30, 2017
Other related parties			
Fubon Ins.	$ 68,257	$ 56,138	$ 74,407

6) Borrowings from related parties

	June 30, 2018	December 31, 2017	June 30, 2017
Other related parties	$ -	$ -	$ 60,922

The rate on borrowings from related parties was equivalent to the rate in the market. As of June 30, 2017, the Group had drawn $16,250 thousand of performance bonds from the related parties.

7) Bank deposits, time deposits and other financial assets

	June 30, 2018	December 31, 2017	June 30, 2017
Other related parties			
TFCB	$ 1,274,928	$ 1,185,528	$ 2,329,333
Others	2,305	8,530	13,802
	$ 1,277,233	$ 1,194,058	$ 2,343,135

8) Disposals of financial assets at FVTPL - current

The Group sold the beneficiary certificates, with the purchased amount of $100,000 thousand, to FSIT for $88,184 thousand for the current period. The cumulative losses were $11,816 thousand, and the Group recognized $2,249 thousand as loss for the six months ended June 30, 2018.

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

The Group purchased beneficiary certificates from FSIT amounting to $120,000 thousand for the six months ended June 30, 2017.

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

The Group sold the beneficiary certificates to FSIT for $120,012 thousand, resulting in a disposal gain of $12 thousand in the current period for the six months ended June 30, 2017.

11) Others

	June 30, 2018	December 31, 2017	June 30, 2017
Guarantee deposits			
Other related parties	$ 48,489	$ 48,459	$ 48,438
Other current liabilities - receipts under custody			
Other related parties	$ 35,702	$ -	$ -

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Operating expenses				
Other related parties				
TMF	$ 8,420	$ 5,000	$ 8,420	$ 10,000
TNHF	5,000	2,000	5,000	5,000
Fubon Life	35,082	35,078	70,163	70,156
FSE	5,054	16,550	25,524	34,400
TFCB	69,705	68,236	136,841	133,296
Others	61,752	37,676	70,535	46,247
	$ 185,013	$ 164,540	$ 316,483	$ 299,099

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 amounts of remuneration of directors and key executives were as follow:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Short-term employee benefits	$ 78,448	$ 77,566	$ 157,571	$ 157,574
Termination and post-employment benefits	2,329	2,348	4,639	4,694
	$ 80,777	$ 79,914	$ 162,210	$ 162,268

30. ASSETS PLEDGED

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

	June 30, 2018	December 31, 2017	June 30, 2017
Other current financial assets	$ 138,921	$ 2,552,383	$ 2,717,438
Services concessions	7,238,132	7,327,492	7,416,852
Other non-current financial assets	129,845	128,987	129,340
	$ 7,506,898	$ 10,008,862	$ 10,263,630

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	June 30, 2018	December 31, 2017	June 30, 2017
Purchases of property, plant and equipment	$ 2,188,107	$ 3,683,121	$ 6,370,987
Purchases of cellular phones	$ 2,621,614	$ 3,316,989	$ 5,570,067

b. As of June 30, 2018, December 31, 2017 and June 30, 2017, the amounts of endorsements and guarantees (provided to group entities) were $21,619,210 thousand, $21,618,400 thousand and $21,684,280 thousand, respectively.

c. In accordance with the NCC's policy and regulations, TWM entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid cards and electronic gift certificates, totaling $666,229 thousand and $18,429 thousand, respectively, as of June 30, 2018.

   In accordance with the NCC's policy and regulations, cable television companies should provide performance bonds based on a certain proportion of the advance receipts from their subscribers. As of June 30, 2018, the cable television companies had provided $73,885 thousand as performance bonds, classified as other non-current financial assets.

   In accordance with the Ministry of Economic Affairs' policy and regulations, momo entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid bonuses and electronic tickets totaling $46,466 thousand and $14,252 thousand, respectively, as of June 30, 2018.

   In accordance with the Ministry of Economic Affairs' policy and regulations, TKT entered into a contract with Mega International Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid music cards totaling $1,319 thousand as of June 30, 2018.

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

   1) Construction and operating period:

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

2) Development concession:

The total initial amount of concession was $1,238,095 thousand (tax excluded). According to the supplemental agreement signed in November 2014, the concession will be paid with additional business tax from the signing date of the supplemental agreement; thus, the concession will be increased by $48,750 thousand. The rest of the concession will be paid over 14 years from fiscal year 2015. As of June 30, 2018, $583,375 thousand (tax included) of the concession had been paid.

3) Performance guarantee:

As of June 30, 2018, TNH had provided a $32,500 thousand performance guarantee regarding the BOT contract.

4) Rental of land:

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

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

e. In May 2015, Far EasTone Telecommunications ("FET") filed a request for provisional injunction with the Taipei District Court (the "Court") to prohibit TWM from using a portion of its C1 spectrum block (1715.1-1721.3/1810.1-1816.3 MHz). FET offered a security deposit of $1,048,703 thousand for the Court to bring the requested injunction into effect. The Court granted the request but allowed TWM to provide a counter-security deposit of $927,000 thousand to continue the use of the spectrum block. TWM filed for the counter-security and the use of the C1 spectrum to maintain the status quo. The rights and interests of the subscribers will not be affected. TWM filed a claim in August 2017 to revoke the aforementioned ruling; the revocation was approved by the Taiwan High Court (the "High Court") on January 15, 2018.

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

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

32. OTHERS

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

	For the Three Months Ended June 30					
	2018			2017		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	$ 531,109	$ 1,128,830	$ 1,659,939	$ 515,770	$ 1,042,814	$ 1,558,584
Insurance expenses	43,209	96,560	139,769	42,530	91,046	133,576
Pension	23,806	51,670	75,476	23,154	49,356	72,510
Others	25,455	67,742	93,197	25,778	64,742	90,520
Depreciation	2,403,441	85,460	2,488,901	2,483,273	100,498	2,583,771
Amortization	799,107	1,029,028	1,828,135	706,872	105,365	812,237

	For the Six Months Ended June 30					
	2018			2017		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	$ 1,092,193	$ 2,261,810	$ 3,354,003	$ 1,035,547	$ 2,130,354	$ 3,165,901
Insurance expenses	87,699	195,520	283,219	84,651	188,439	273,090
Pension	48,486	103,275	151,761	46,462	99,468	145,930
Others	51,671	133,847	185,518	51,079	130,598	181,677
Depreciation	4,850,337	169,461	5,019,798	4,924,388	204,479	5,128,867
Amortization	1,599,325	2,037,225	3,636,550	1,414,144	213,224	1,627,368

Information of employees’ compensation and remuneration of directors

According to TWM’s Articles, the estimated employees’ compensation and remuneration of directors are at the rates of 1% to 3% and no higher than 0.3%, respectively, of profit before income tax, employees’ compensation, and remuneration of directors. Estimations for employees’ compensation were $121,497 thousand, $120,518 thousand, $232,160 thousand, and $245,182 thousand, and remuneration to directors were $12,150 thousand, $12,052 thousand, $23,216 thousand, and $24,518 thousand, which were made by applying the rates to the aforementioned profit before income tax, for the three months and six months ended June 30, 2018 and 2017, respectively.

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

The employees' compensation and remuneration of directors of 2017 and 2016 shown below were approved by the Board of Directors on February 1, 2018 and January 25, 2017. The differences with the amounts recognized in the consolidated financial statements have been adjusted in 2018 and 2017, respectively.

	2017		2016	
	Employees' Compensation Paid in Cash	**Remuneration of Directors**	**Employees' Compensation Paid in Cash**	**Remuneration of Directors**
Amounts approved by the Board of Directors	$ 453,359	$ 45,336	$ 468,063	$ 46,806
Amounts recognized in the consolidated financial statements	$ 438,728	$ 43,873	$ 494,483	$ 49,448

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

33. ADDITIONAL DISCLOSURES

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

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

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

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

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

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

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

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

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

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

10) Trading in derivative instruments: None

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

c. Information on investment in Mainland China:

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

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

34. SEGMENT INFORMATION

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

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

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

Cable Television: Providing pay TV and cable broadband services.

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

For the Three Months Ended June 30, 2018	**Telecommuni-cations**	**Retail**	**Cable Television**	**Others**	**Adjustments and Eliminations**	**Total**
Operating revenues	$ 17,225,646	$ 9,630,352	$ 1,586,968	$ 145,546	$ (48,404)	$ 28,540,108
Operating costs	10,014,022	8,614,911	902,911	83,261	(22,765)	19,592,340
Operating expenses	3,352,927	690,731	207,993	13,215	(45,644)	4,219,222
Other gains and losses, net	224,929	3,113	93	-	(11,509)	216,626
Profit	4,083,626	327,823	476,157	49,070	8,496	4,945,172
EBITDA (Note)	6,983,169	405,250	800,281	102,220	49,617	8,340,537

For the Three Months Ended June 30, 2017	**Telecommuni-cations**	**Retail**	**Cable Television**	**Others**	**Adjustments and Eliminations**	**Total**
Operating revenues	$ 18,462,762	$ 7,693,294	$ 1,596,385	$ 146,098	$ (94,653)	$ 27,803,886
Operating costs	11,257,390	6,797,784	811,115	87,977	(39,513)	18,914,753
Operating expenses	3,595,064	527,460	202,710	14,170	(46,866)	4,292,538
Other gains and losses, net	301,905	302	5,496	-	(10,179)	297,524
Profit	3,912,213	368,352	588,056	43,951	(18,453)	4,894,119
EBITDA (Note)	6,952,565	394,268	826,964	97,091	25,027	8,295,915

For the Six Months Ended June 30, 2018	Telecommuni-cations	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	$ 35,698,291	$ 19,814,161	$ 3,186,030	$ 287,484	$ (139,539)	$ 58,846,427
Operating costs	21,333,973	17,743,828	1,803,717	171,247	(78,529)	40,974,236
Operating expenses	6,843,084	1,355,267	417,434	29,698	(93,663)	8,551,820
Other gains and losses, net	378,231	5,723	216	-	(20,667)	363,503
Profit	7,899,465	720,789	965,095	86,539	11,986	9,683,874
EBITDA (Note)	13,748,731	869,050	1,609,611	192,813	94,388	16,514,593

For the Six Months Ended June 30, 2017	Telecommuni-cations	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	$ 38,076,427	$ 15,274,820	$ 3,208,896	$ 280,829	$ (196,438)	$ 56,644,534
Operating costs	23,319,585	13,545,745	1,590,597	175,945	(81,280)	38,550,592
Operating expenses	7,251,750	1,048,243	395,872	27,669	(85,851)	8,637,683
Other gains and losses, net	519,529	770	11,180	-	(19,668)	511,811
Profit	8,024,621	681,602	1,233,607	77,215	(48,975)	9,968,070
EBITDA (Note)	14,092,075	732,669	1,689,405	183,496	41,078	16,738,723

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

Geographic information

The Group's revenues are generated mostly from domestic business. Overseas revenues are primarily generated from international calls and data services.

Consolidated geographic information for revenues was as follows:

	For the Six Months Ended June 30	
	2018	2017
Taiwan, ROC	$ 57,281,587	$ 55,108,114
Overseas	1,564,840	1,536,420
	$ 58,846,427	$ 56,644,534

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING EXTENDED TO OTHER PARTIES
FOR THE SIX MONTHS ENDED JUNE 30, 2018

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits	Note
													Item	Value			
1	TCC	TWM	Other receivables	Yes	$ 400,000	$ 400,000	$ 350,000	1.09267%	Short-term financing	$ -	Operation requirements	$ -	-	$ -	$ 34,745,851	$ 34,745,851	2
2	WMT	TWM	Other receivables	Yes	3,000,000	3,000,000	1,900,000	1.09267%~1.09489%	Short-term financing	-	Operation requirements	-	-	-	7,767,593	7,767,593	2
		TKT	Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	7,767,593	7,767,593	2
		TFNM	Other receivables	Yes	3,000,000	3,000,000	2,190,000	1.09311%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	7,767,593	7,767,593	2
		WTVB	Other receivables	Yes	600,000	600,000	-	1.09278%-1.09322%	Short-term financing	-	Operation requirements	-	-	-	7,767,593	7,767,593	2
3	TFN	TWM	Other receivables	Yes	9,000,000	9,000,000	6,990,000	1.09267%~1.09489%	Short-term financing	-	Operation requirements	-	-	-	22,220,120	22,220,120	2
4	YJCTV	TFNM	Other receivables	Yes	240,000	180,000	140,000	1.09244%-1.09489%	Transactions	498,878	-	-	-	-	498,878	498,878	3 and 4
5	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	1.09244%	Transactions	566,451	-	-	-	-	566,451	566,451	3 and 4
6	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	1.09244%	Short-term financing	-	Repayment of financing	-	-	-	265,299	265,299	3

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

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

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

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

TABLE 2

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE SIX MONTHS ENDED JUNE 30, 2018

(In Thousands of New Taiwan Dollars)

No.	Company Providing Endorsements/ Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts (Note 1)	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor (Note 1)	Maximum Endorsements/ Guarantees Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	TWM	TFN	Note 2	$ 42,000,000	$ 21,500,000	$ 21,500,000	$ 8,487,375	$ -	39.12	$ 54,957,866	Y	N	N	Notes 3 and 4
		TKT	Note 2	259,800	50,000	50,000	50,000	-	0.09	54,957,866	Y	N	N	Note 3
1	momo	FGE	Note 2	749,835	69,210	69,210	69,210	-	1.26	5,476,071	N	N	Y	Note 5

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

Note 2: Direct/indirect subsidiary.

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

Note 4: Including US$65,000 thousand.

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

TABLE 3

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)
JUNE 30, 2018

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	June 30, 2018				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership %	Fair Value	
TWM	Stock							
	Chunghwa Telecom Co., Ltd.	-	Current financial assets at FVTOCI	2,174	$ 239,086	0.028	$ 239,086	
	Asia Pacific Telecom Co., Ltd.	-	Non-current financial assets at FVTOCI	148,255	1,186,040	3.45	1,186,040	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at FVTOCI	800	27,249	10	27,249	
	Limited Partnerships							
	Grand Academy Investment, L.P.	-	Non-current financial assets at FVTOCI	-	594,898	21.67	594,898	Note 1
	Starview Heights Investment, L.P.	-	Non-current financial assets at FVTOCI	-	284,928	21.67	284,928	Note 1
TCC	Stock							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at FVTOCI	6,998	83,967	5.21	83,967	
	Parawin Venture Capital Corp.	-	Non-current financial assets at FVTOCI	1,312	5,328	3	5,328	
TFN	Stock							
	Taiwan High Speed Rail Corporation	-	Non-current financial assets at FVTOCI	90,212	2,156,076	1.6	2,156,076	
TCCI	Stock							
	TWM	TWM	Non-current financial assets at FVTOCI	200,497	22,154,892	5.86	22,154,892	
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at FVTOCI	10,000	36,427	6.67	36,427	
TUI	Stock							
	TWM	TWM	Non-current financial assets at FVTOCI	410,665	45,378,514	12	45,378,514	
TID	Stock							
	TWM	TWM	Non-current financial assets at FVTOCI	87,590	9,678,646	2.56	9,678,646	
TFNM	Beneficiary Certificates							
	Dragon Tiger Capital Partners Limited - Class B	-	Non-current financial assets at FVTOCI	0.2	-	0.33	-	
	Dragon Tiger Capital Partners Limited - Class C	-	Non-current financial assets at FVTOCI	0.0335	-	0.056	-	

(Continued)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	June 30, 2018				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership %	Fair Value	
momo	Beneficiary Certificates							
	Fubon Strategic High Income Fund B	Other related party	Current financial assets at FVTPL	9,151	$ 86,877	-	$ 86,877	
	Eastspring Investments India Umbrella Fund - Eastspring Investments India Bond Fund B	-	Current financial assets at FVTPL	5,000	44,650	-	44,650	
	Stock							
	Media Asia Group Holdings Limited	-	Current financial assets at FVTOCI	43,668	14,291	2.04	14,291	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at FVTOCI	2,400	51,984	7.73	51,984	

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

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

(Concluded)

TABLE 4

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2018

(In Thousands of New Taiwan Dollars)

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

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

<u>**TABLE 5**</u>

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2018

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
TWM	TFN	Subsidiary	Sale	$ 240,744	1	Based on contract terms	-	-	$ 13,124	-	Note 1
			Purchase	2,375,070	(Note 2)	Based on contract terms	-	-	(445,226)	(Note 3)	Note 1
	TT&T	Subsidiary	Purchase	528,261	(Note 2)	Based on contract terms	-	-	(81,141)	(Note 3)	
	TKT	Subsidiary	Purchase	177,712	(Note 2)	Based on contract terms	-	-	(86,833)	(Note 3)	Note 1
	Fubon Ins.	Other related party	Sale	183,248	1	Based on contract terms	-	-	69,393	1	
			Purchase	329,596	2	Based on contract terms	-	-	(47,451)	2	
TFN	TWM	Ultimate parent	Sale	2,375,070	49	Based on contract terms	-	-	445,226	49	Note 1
			Purchase	240,744	(Note 2)	Based on contract terms	-	-	(13,124)	(Note 3)	Note 1
TT&T	TWM	Ultimate parent	Sale	528,261	91	Based on contract terms	-	-	81,141	90	
TKT	TWM	Ultimate parent	Sale	177,712	92	Based on contract terms	-	-	86,833	100	
TFNM	YJCTV	Subsidiary	Channel leasing fee	212,683	13	Based on contract terms	Note 4	Note 4	-	-	
	PCTV	Subsidiary	Channel leasing fee	248,168	15	Based on contract terms	Note 4	Note 4	-	-	
	UCTV	Subsidiary	Channel leasing fee	112,466	7	Based on contract terms	Note 4	Note 4	-	-	
YJCTV	TFNM	Parent	Royalty for copyright	212,683	50	Based on contract terms	Note 4	Note 4	-	-	
PCTV	TFNM	Parent	Royalty for copyright	248,168	50	Based on contract terms	Note 4	Note 4	-	-	
UCTV	TFNM	Parent	Royalty for copyright	112,466	38	Based on contract terms	Note 4	Note 4	-	-	
momo	TPE	Associate	Purchase	207,945	1	Based on contract terms	-	-	(86,820)	2	

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

Note 2: Including operating costs and operating expenses.

Note 3: Including accounts payable and other payables.

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

TABLE 6

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2018

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Action Taken		
TCC	TWM	Parent	Other receivables	$ 351,593		$ -	-	$ -	$ -
WMT	TWM	Parent	Other receivables	1,905,525		-	-	-	-
	TFNM	Subsidiary	Other receivables	2,192,637		-	-	-	-
TFN	TWM	Ultimate parent	Accounts receivable	445,226	10.63	-	-	411,885	-
			Other receivables	7,073,141		-	-	20,670	-
YJCTV	TFNM	Parent	Accounts receivable	5,274	6.97	-	-	-	-
			Other receivables	140,001		-	-	-	-
PCTV	TFNM	Parent	Accounts receivable	5,896	6.53	-	-	-	-
			Other receivables	520,054		-	-	-	-
GCTV	TFNM	Parent	Accounts receivable	2,551	6.77	-	-	-	-
			Other receivables	250,016		-	-	-	-
momo	TPE	Associate	Accounts receivable	398	18.09	-	-	-	-
			Other receivables	102,347		-	-	102,347	-

TABLE 7

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA) FOR THE SIX MONTHS ENDED JUNE 30, 2018

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2018			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				June 30, 2018	December 31, 2017	Shares (Thousands)	Percentage of Ownership %	Carrying Value			
TWM	TCC	Taiwan	Investment	$ 40,397,288	$ 40,397,288	502,970	100	$ 17,331,067	$ 1,754,895	$ 1,750,759	Note 1
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	19,418,982	1,035,331	1,035,331	
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,750,384	57,136	28,511	
	ADT	Taiwan	Technology development of mobile payment and information processing services	60,000	60,000	6,000	14.4	13,231	(34,489)	(1,220)	
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	55,551,263	1,707,770	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	86,994	25,254	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	255,129	5,799	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	30,260,426	(77)	-	Note 2
	TDC	Taiwan	Mobile phone wholesaling and TV program production	112,000	112,000	11,200	100	115,519	(47)	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	25,000	2,500	100	100,990	6,598	-	Note 2
	TPIAC	Taiwan	Property insurance agent	5,000	5,000	500	100	8,812	3,870	-	Note 2
	TFC	Taiwan	Type II telecommunications business	5,000	-	500	100	4,308	(692)	-	Note 2
WMT	TFNM	Taiwan	Type II telecommunications business	5,210,443	5,210,443	230,921	100	5,879,866	709,278	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	16,969	(273)	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	94,862	1,057	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	302,624	47,487	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,015,373	729,316	-	Notes 2 and 4
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	39,842,774	(52)	-	Note 2
	TFN HK Ltd.	Hong Kong	Telecommunications service provider	2,900	2,900	1,300	100	8,270	(129)	-	Note 2
TT&T	TT&T Holdings	Samoa	Investment	-	36,284	-	-	-	(279)	-	Notes 2 and 5
TCCI	TID	Taiwan	Investment	3,602,782	3,602,782	104,712	100	8,503,428	(70)	-	Note 2
TFNM	TKT	Taiwan	Digital music service	129,900	129,900	12,000	100	216,265	12,188	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	2,001,684	(76,428)	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	601,749	25,474	-	Notes 2 and 6
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,318,112	38,720	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	1,978,029	(22,576)	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,235,233	17,133	-	Note 2
	Kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	171,423	(16,425)	-	Note 2
GFMT	UCTV	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	15,207	(22,576)	-	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	93,314	17,133	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2018			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				June 30, 2018	December 31, 2017	Shares (Thousands)	Percentage of Ownership %	Carrying Value			
momo	Asian Crown (BVI)	British Virgin Islands	Investment	$ 789,864	$ 789,864	6,625	76.26	$ (27,190)	$ (8,895)	$ -	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	765,230	(2,403)	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	9,328	256	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	10,147	1,224	-	Note 2
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	43,375	5,083	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	403,146	31,196	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	111,537	111,537	24,150	35	117,431	1,009	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,035,051	1,035,051	8,408	100	(40,093)	(8,979)	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,035,051	1,035,051	8,408	100	(40,093)	(8,979)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	765,230	(2,403)	-	Note 2

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

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

Note 3: Held 1 share on June 30, 2018.

Note 4: Non-controlling interests.

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

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

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

(Concluded)

TABLE 8

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2018

(In Thousands of New Taiwan Dollars)

Number	Company Name	Counter Party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	TWM	TFN	1	Accounts and notes receivable, net	$ 13,124	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIAC	1	Accounts and notes receivable, net	19,629	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other receivables	20,938	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Other receivables	37,681	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Other non-current assets	18,841	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Short-term borrowings	6,990,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	5%
		WMT	1	Short-term borrowings	1,900,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TCC	1	Short-term borrowings	350,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Accounts and notes payable	62,912	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TKT	1	Accounts and notes payable	86,722	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Accounts and notes payable	17,354	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other payables	434,335	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Other payables	81,141	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other current liabilities	31,120	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating revenues	240,744	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIAC	1	Operating revenues	19,663	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Operating revenues	31,838	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating costs	2,351,274	The terms of transaction are determined in accordance with mutual agreements or general business practices	4%
		TKT	1	Operating costs	177,599	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Operating costs	90,979	The terms of transaction are determined in accordance with mutual agreements or general business practices	-

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	TWM	TNH	1	Operating costs	$ 15,813	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Operating costs	15,016	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Operating expenses	528,261	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TNH	1	Operating expenses	44,736	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating expenses	24,135	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other gains and losses, net	17,173	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Other revenues	22,209	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Financial costs	34,764	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WMT	1	Financial costs	11,203	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
1	WMT	TFNM	1	Other receivables	2,192,637	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
2	momo	FST	1	Other receivables	14,248	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Accounts and notes payable	32,108	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	3	Acquisition of property, plant and equipment	19,736	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating costs	32,108	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
3	TFN	TFNM	3	Accounts and notes receivable, net	24,526	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating revenues	70,610	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	3	Operating revenues	43,732	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	3	Operating expenses	55,178	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
4	TFNM	PCTV	1	Other receivables	37,384	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Other receivables	34,351	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Other receivables	24,130	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Other receivables	16,650	The terms of transaction are determined in accordance with mutual agreements or general business practices	-

(Continued)

Number	Company Name	Counter Party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
4	TFNM	MCTV	1	Other receivables	$ 14,862	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Short-term borrowings	520,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Short-term borrowings	140,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Short-term borrowings	250,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Accounts and notes payable	33,564	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating revenues	269,088	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating revenues	231,471	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating revenues	112,466	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Operating revenues	103,348	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating costs	17,393	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating costs	15,652	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating costs	11,386	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Operating costs	33,564	The terms of transaction are determined in accordance with mutual agreements or general business practices	-

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

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

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2018

(In Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2018	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of June 30, 2018	Accumulated Inward Remittance of Earnings as of June 30, 2018	Note
					Outflow	Inflow							
Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis and development of CRM application and information consulting services	$ -	b	$ 39,748 (USD 1,300)	$ -	$ 39,748 (USD 1,300)	$ -	$ -	-	$ -	$ -	$ 9,696 (USD 317)	Note 2
TWMC	Mobile application development and design	91,725 (USD 3,000)	b	148,958 (USD 4,872)	-	-	148,958 (USD 4,872)	579	100	579	107,669	-	
FGE	Wholesaling	265,305 (RMB 57,500)	b	749,835 (USD 14,000) (RMB 69,741)	-	-	749,835 (USD 14,000) (RMB 69,741)	(9,737)	69.63	(6,780)	(30,700)	-	Note 3
Haobo	Investment	50,754 (RMB 11,000)	b	-	-	-	-	(2,403)	100	(2,403)	765,230	-	
GHS	Wholesaling	230,700 (RMB 50,000)	b	-	-	-	-	(5,528)	20	(2,445)	736,425	-	

Company	Accumulated Investment in Mainland China as of June 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
TWM and subsidiaries	$1,555,420 (USD18,872, RMB69,741 and HKD168,539)	$1,647,700 (USD18,872, RMB89,741 and HKD168,539)	$36,385,555

Note 1: The investment types are as follows:

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

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

Note 3: In May 2018, FGE held the extraordinary general shareholders’ meeting and resolved a RMB 20,000 thousand capital increase, which would be fully subscribed by HK Fubon Multimedia. The investment amount has been approved by the Investment Commission, MOEA. As of the end of June 2018, the capital increase procedure has not been completed.