Taiwan Mobile Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the
Nine Months Ended September 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 September 30, 2018 and 2017, and the consolidated statements of comprehensive income for the three months ended September 30, 2018 and 2017 and for the nine months ended September 30, 2018 and 2017, and the consolidated statements of changes in equity and cash flows for the nine months ended September 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 Group as at September 30, 2018 and 2017, and of its consolidated financial performance for the three months ended September 30, 2018 and 2017 and for the nine months ended September 30, 2018 and 2017, and its consolidated cash flows for the nine months ended September 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

November 1, 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)

ASSETS	September 30, 2018 (Reviewed) Amount	%	December 31, 2017 (Audited) Amount	%	September 30, 2017 (Reviewed) Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 30)	$ 5,935,009	4	$ 6,631,544	4	$ 5,973,335	4
Financial assets at fair value through profit or loss (Note 30)	87,365	-	-	-	353	-
Financial assets at fair value through other comprehensive income (Note 7)	252,247	-	-	-	-	-
Available-for-sale financial assets (Notes 8 and 30)	-	-	1,104,467	1	1,118,783	1
Contract assets (Note 23)	5,645,634	4	-	-	-	-
Debt instrument investment without active market	-	-	465,654	-	453,291	-
Accounts and notes receivable, net (Note 9)	7,669,514	5	14,571,025	10	14,574,763	10
Accounts receivable due from related parties (Note 30)	128,782	-	106,475	-	126,513	-
Other receivables (Note 30)	1,792,005	1	1,791,718	1	1,223,826	1
Inventories (Note 10)	3,272,541	2	4,331,809	3	3,153,737	2
Prepayments (Note 30)	818,268	1	506,343	-	901,191	1
Assets held for sale	2,571	-	1,737	-	-	-
Other financial assets (Notes 30 and 31)	410,161	-	2,794,954	2	2,932,895	2
Other current assets (Note 32)	959,692	1	45,391	-	36,978	-
Total current assets	26,973,789	18	32,351,117	21	30,495,665	21
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income (Note 7)	4,819,168	3	-	-	-	-
Available-for-sale financial assets (Note 8)	-	-	4,384,641	3	4,498,343	3
Contract assets (Note 23)	3,233,184	2	-	-	-	-
Financial assets at cost	-	-	171,221	-	177,401	-
Investments accounted for using equity method (Note 11)	1,400,912	1	1,493,852	1	1,544,542	1
Property, plant and equipment (Note 14)	39,477,725	27	41,603,421	27	42,092,522	29
Investment properties, net (Note 15)	2,991,627	2	2,964,035	2	2,967,958	2
Concessions (Notes 16 and 31)	41,286,668	28	43,670,580	28	35,821,329	24
Goodwill (Note 16)	15,872,595	11	15,845,930	10	15,845,930	11
Other intangible assets, net (Note 16)	5,773,880	4	5,856,310	4	5,869,253	4
Deferred tax assets	818,450	1	820,244	1	674,000	-
Incremental costs of obtaining a contract (Note 23)	3,266,998	2	-	-	-	-
Other financial assets (Notes 30, 31 and 32)	130,587	-	128,987	-	128,819	-
Other non-current assets (Notes 17 and 30)	1,401,914	1	5,232,416	3	6,298,018	5
Total non-current assets	120,473,708	82	122,171,637	79	115,918,115	79
TOTAL	$ 147,447,497	100	$ 154,522,754	100	$ 146,413,780	100

LIABILITIES AND EQUITY	September 30, 2018 (Reviewed) Amount	%	December 31, 2017 (Audited) Amount	%	September 30, 2017 (Reviewed) Amount	%
CURRENT LIABILITIES						
Short-term borrowings (Notes 18 and 30)	$ 5,390,773	4	$ 9,662,318	6	$ 8,612,052	6
Short-term notes and bills payable (Note 18)	2,398,684	2	5,595,892	4	4,997,820	3
Contract liabilities (Note 23)	1,982,337	1	-	-	-	-
Accounts and notes payable	6,602,305	4	8,014,484	5	7,597,810	5
Accounts payable due to related parties (Note 30)	158,444	-	129,632	-	72,034	-
Other payables (Note 30)	8,998,294	6	11,224,440	7	9,649,809	7
Current tax liabilities	2,845,219	2	1,240,549	1	607,426	-
Provisions (Note 20)	127,198	-	178,008	-	189,578	-
Advance receipts	101,165	-	2,790,314	2	2,345,702	2
Long-term liabilities, current portion (Notes 18 and 19)	9,803,157	7	15,602,817	10	8,253,475	6
Other current liabilities (Note 30)	2,070,579	1	2,040,632	1	2,216,184	1
Total current liabilities	40,478,155	27	56,479,086	36	44,541,890	30
NON-CURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss (Note 19)	1,960	-	9,961	-	11,961	-
Contract liabilities (Note 23)	59,648	-	-	-	-	-
Bonds payable (Note 19)	29,199,701	20	14,149,407	9	18,626,617	13
Long-term borrowings (Note 18)	8,940,274	6	14,192,673	9	16,130,127	11
Provisions (Note 20)	1,389,787	1	1,371,869	1	1,347,312	1
Deferred tax liabilities	916,004	1	729,786	1	722,953	1
Net defined benefit liabilities	395,711	-	443,044	-	350,719	-
Guarantee deposits	1,003,661	1	978,816	1	970,087	1
Other non-current liabilities	585,110	-	656,511	-	656,537	-
Total non-current liabilities	42,491,856	29	32,532,067	21	38,816,313	27
Total liabilities	82,970,011	56	89,011,153	57	83,358,203	57
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 22)						
Common stock	34,208,328	23	34,208,328	22	34,208,328	23
Capital collected in advance	191	-	-	-	-	-
Capital surplus	12,299,832	8	13,939,278	9	13,917,991	10
Retained earnings						
Legal reserve	27,558,064	19	26,138,846	17	26,138,846	18
Special reserve	362,703	-	690,034	-	690,034	-
Unappropriated earnings	13,959,072	10	14,735,424	10	12,375,989	8
Other equity interests	(64,600)	-	(362,703)	-	(230,837)	-
Treasury stock	(29,717,344)	(20)	(29,717,344)	(19)	(29,717,344)	(20)
Total equity attributable to owners of the parent	58,606,246	40	59,631,863	39	57,383,007	39
NON-CONTROLLING INTERESTS (Note 22)	5,871,240	4	5,879,738	4	5,672,570	4
Total equity	64,477,486	44	65,511,601	43	63,055,577	43
TOTAL	$ 147,447,497	100	$ 154,522,754	100	$ 146,413,780	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 September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 23 and 30)	$ 28,319,973	100	$ 28,763,125	100	$ 87,166,400	100	$ 85,407,659	100
OPERATING COSTS (Notes 10, 30 and 33)	20,179,285	71	19,804,600	69	61,153,521	70	58,355,192	68
GROSS PROFIT FROM OPERATIONS	8,140,688	29	8,958,525	31	26,012,879	30	27,052,467	32
OPERATING EXPENSES (Notes 30 and 33)								
Marketing	2,715,117	10	3,030,514	11	8,502,177	10	9,117,032	11
Administrative	1,224,373	4	1,282,147	4	3,803,663	4	3,833,312	4
Expected credit loss	116,726	-	-	-	302,196	-	-	-
Total operating expenses	4,056,216	14	4,312,661	15	12,608,036	14	12,950,344	15
NET OTHER INCOME AND EXPENSES	127,321	-	175,145	1	490,824	-	686,956	-
OPERATING INCOME	4,211,793	15	4,821,009	17	13,895,667	16	14,789,079	17
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 24 and 30)	112,130	-	146,361	-	189,224	-	312,949	-
Other gains and losses, net (Notes 24 and 30)	(37,123)	-	(76,309)	-	(97,641)	-	(232,618)	-
Finance costs (Note 24)	(152,687)	-	(152,373)	(1)	(453,098)	-	(458,368)	-
Share of profit (loss) of associates accounted for using equity method	(41)	-	(9,843)	-	(7,878)	-	38,077	-
Total non-operating income and expenses	(77,721)	-	(92,164)	(1)	(369,393)	-	(339,960)	-
PROFIT BEFORE TAX	4,134,072	15	4,728,845	16	13,526,274	16	14,449,119	17
INCOME TAX EXPENSE (Note 25)	680,796	3	615,859	2	2,367,946	3	2,158,340	3
PROFIT	3,453,276	12	4,112,986	14	11,158,328	13	12,290,779	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	392,201	1	-	-	239,147	-	-	-
Share of other comprehensive income (loss) of associates accounted for using equity method	(3,028)	-	-	-	(12,062)	-	-	-
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translation	(26,794)	-	15,966	-	(16,380)	-	(12,955)	-
Unrealized gain (loss) on available-for-sale financial assets	-	-	(235,975)	-	-	-	480,043	1
Share of other comprehensive income (loss) of associates accounted for using equity method	2,288	-	(1,085)	-	(1,236)	-	(28,523)	-
Other comprehensive income (loss) (after tax)	364,667	1	(221,094)	-	227,771	-	438,565	1
COMPREHENSIVE INCOME	$ 3,817,943	13	$ 3,891,892	14	$ 11,386,099	13	$ 12,729,344	15
PROFIT ATTRIBUTABLE TO:								
Owners of the parent	$ 3,273,365	11	$ 3,961,394	14	$ 10,551,603	12	$ 11,750,575	14
Non-controlling interests	179,911	1	151,592	-	606,725	1	540,204	-
	$ 3,453,276	12	$ 4,112,986	14	$ 11,158,328	13	$ 12,290,779	14
COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the parent	$ 3,654,386	13	$ 3,733,706	13	$ 10,803,473	12	$ 12,209,772	14
Non-controlling interests	163,557	-	158,186	1	582,626	1	519,572	1
	$ 3,817,943	13	$ 3,891,892	14	$ 11,386,099	13	$ 12,729,344	15
EARNINGS PER SHARE (Note 26)								
Basic earnings per share	$ 1.21		$ 1.46		$ 3.88		$ 4.32	
Diluted earnings per share	$ 1.16		$ 1.41		$ 3.76		$ 4.19	

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 the Parent												
				Retained Earnings			Other Equity Interests						
	Common Stock	Capital Collected in Advance	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 nine months ended September 30, 2017	-	-	-	-	-	11,750,575	-	-	-	-	11,750,575	540,204	12,290,779
Other comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	-	-	(7,613)	-	466,810	-	459,197	(20,632)	438,565
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	-	11,750,575	(7,613)	-	466,810	-	12,209,772	519,572	12,729,344
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(616,647)	(616,647)
BALANCE, SEPTEMBER 30, 2017	$ 34,208,328	$ -	$ 13,917,991	$ 26,138,846	$ 690,034	$ 12,375,989	$ (16,746)	$ -	$ (214,091)	$ (29,717,344)	$ 57,383,007	$ 5,672,570	$ 63,055,577
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 nine months ended September 30, 2018	-	-	-	-	-	10,551,603	-	-	-	-	10,551,603	606,725	11,158,328
Other comprehensive income (loss) nine months ended September 30, 2018	-	-	-	-	-	18,186	(9,080)	242,764	-	-	251,870	(24,099)	227,771
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	10,569,789	(9,080)	242,764	-	-	10,803,473	582,626	11,386,099
Convertible bonds converted to common stock	-	191	1,753	-	-	-	-	-	-	-	1,944	-	1,944
Changes in equity of associates accounted for using equity method	-	-	2,397	-	-	1,971	-	-	-	-	4,368	2,409	6,777
Changes in percentage of ownership interests in subsidiaries	-	-	(10,347)	-	-	-	-	-	-	-	(10,347)	12,663	2,316
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(616,452)	(616,452)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	10,295	10,295
BALANCE, SEPTEMBER 30, 2018	$ 34,208,328	$ 191	$ 12,299,832	$ 27,558,064	$ 362,703	$ 13,959,072	$ (25,579)	$ (39,021)	$ -	$ (29,717,344)	$ 58,606,246	$ 5,871,240	$ 64,477,486

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 13,526,274	$ 14,449,119
Adjustments		
Depreciation expense	7,476,500	7,718,099
Amortization expense	2,732,310	2,491,399
Amortization of incremental costs of obtaining contracts	2,635,125	-
Loss on disposal of property, plant and equipment, net	56,815	123,828
Loss on disposal of intangible assets, net	128,002	-
Expected credit loss	302,196	-
Provision for bad debt expense	-	227,718
Finance costs	453,098	458,368
Interest income	(46,610)	(122,429)
Dividend income	(83,164)	(72,407)
Reversal of impairment loss on property, plant and equipment	(103,586)	-
Share of (profit) loss of associates accounted for using equity method	7,878	(38,077)
Valuation loss on financial assets and liabilities at fair value through profit or loss	13,915	8,973
Gain on disposal of investments	-	(3,000)
Others	1,047	31,404
Changes in operating assets and liabilities		
Financial assets mandatorily at fair value through profit or loss	736,265	-
Contract assets	1,721,226	-
Accounts and notes receivable	(11,262)	900,478
Accounts receivable due from related parties	(25,292)	(42,972)
Other receivables	(9,419)	243,945
Inventories	1,060,823	918,011
Prepayments	(319,888)	(397,257)
Other current assets	(763,257)	920
Other financial assets	(5,944)	(10,011)
Incremental costs of obtaining a contract	(1,734,926)	-
Contract liabilities	(741,187)	-
Accounts and notes payable	(1,386,017)	564,698
Accounts payable due to related parties	28,812	(73,948)
Other payables	(1,521,691)	(732,935)
Provisions	(60,637)	(10,188)
Advance receipts	12,313	(291,492)
Other current liabilities	(87,631)	(168,331)
Net defined benefit liabilities	(47,333)	(18,603)
Other non-current liabilities	(14,808)	-
Net cash inflows generated by operating activities	23,929,947	26,155,310

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TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2018	**2017**
Interest received	$ 911	$ 994
Interest paid	(930)	(946)
Income taxes paid	(1,462,925)	(3,824,094)
Net cash generated from operating activities	22,467,003	22,331,264
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(6,068,958)	(7,032,658)
Acquisition of intangible assets	(289,578)	(321,498)
Increase in prepayments for equipment	(266,363)	(197,638)
Proceeds from disposal of property, plant and equipment	39,462	29,175
Decrease in advanced receipts from assets disposals	(6)	-
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	-
Net cash outflow on acquisition of subsidiaries	(2,925)	-
Proceeds from capital return of financial assets at fair value through other comprehensive income or loss	3,149	-
Proceeds from capital return of financial assets at cost	-	4,374
Acquisition of available-for-sale financial assets	-	(1,030,865)
Proceeds from disposal of available-for-sale financial assets	-	320,692
Proceeds from disposal of financial assets at cost	-	9,081
Increase in refundable deposits	(244,055)	(1,165,002)
Decrease in refundable deposits	223,243	158,853
Increase in other financial assets	(86,107)	(57,736)
Decrease in other financial assets	2,473,503	1,151,338
Interest received	46,690	65,696
Dividend received	150,645	91,942
Net cash used in investing activities	(3,519,789)	(7,974,246)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(4,279,522)	1,250,000
Increase (decrease) in short-term notes and bills payable	(3,196,783)	4,997,820
Proceeds from issue of bonds	14,984,564	-
Repayments of bonds payable	(2,900,000)	(2,900,000)
Repayment of long-term borrowings	(8,155,042)	(3,318,000)
Increase in guarantee deposits received	103,409	212,208
Decrease in guarantee deposits received	(79,275)	(126,398)
Cash dividends paid (including paid to non-controlling interests)	(15,860,099)	(15,860,290)
Interest paid	(261,007)	(340,358)
Changes in non-controlling interests	2,316	-

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TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2018	**2017**
Net cash used in financing activities	$ (19,641,439)	$ (16,085,018)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	(2,310)	(3,182)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(696,535)	(1,731,182)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,631,544	7,704,517
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 5,935,009	$ 5,973,335

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Taiwan Mobile Co., Ltd. ("TWM") was incorporated in Taiwan, the 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, e-books and games.

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 November 1, 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 the 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		$ 4,263,983	
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		$ 870,490	
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		$ 3,393,493	

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

	September 30, 2018
Current assets	
Contract assets	$ (5,645,634)
Accounts and notes receivable, net (including related parties)	5,645,634
Other current assets	(72,923)
Non-current assets	
Contract assets	(3,233,184)
Incremental costs of obtaining a contract	(3,266,998)
Other non-current assets	3,233,184
Total effect on assets	$ (3,339,921)
Current liabilities	
Contract liabilities	$ (1,982,337)
Accounts and notes payable	11,904
Current tax liabilities	(609,321)
Advanced receipts	1,989,255
Other current liabilities	(84,309)
Non-current liabilities	
Contract liabilities	(59,648)
Total effect on liabilities	$ (734,456)
Equity	
Unappropriated earnings	$ (2,605,468)
Non-controlling interests	3
Total effect on equity	$ (2,605,465)

Impact on total comprehensive income for the current period

	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018
Operating revenues	$ (8,415)	$ (24,575)
Operating costs	2,159	(490)
Operating expenses	(302,703)	(898,152)
Income tax expense	24,792	86,039
Total effect on net profit for the current period	$ 267,337	$ 788,028

(Continued)

	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018
Impact on net profit attributable to:		
Owners of the parent	$ 267,347	$ 788,064
Non-controlling interests	(10)	(36)
	$ 267,337	$ 788,028
Impact on earnings per share:		
Basic earnings per share	$ 0.10	$ 0.29
Diluted earnings per share	$ 0.10	$ 0.28

(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.

The Group subleased its leasehold to a third party. Such sublease is classified as an operating lease under IAS 17. The Group will assess the sublease classification on the basis of the remaining contractual terms and conditions of the head lease and sublease on 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 3 "Definition of a Business"	January 1, 2020 (Note 2)
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
Amendments to IAS 1 and IAS 8 "Definition of Materiality"	January 1, 2020 (Note 3)

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

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The amendments are applied prospectively for annual periods beginning on or after January 1, 2020.

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**	**September 30, 2018**	**December 31, 2017**	**September 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%	-
	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

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Ownership September 30, 2018	December 31, 2017	September 30, 2017	Note
TCC	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%	-
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	81.99%	76.26%	76.26%	Note 6
	Honest Development Co., Ltd. (Honest Development)	Investment	100.00%	100.00%	100.00%	-
	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.00%	100.00%	100.00%	-
	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.00%	100.00%	100.00%	-
	Fu Sheng Travel Service Co., Ltd (FST)	Travel agent	100.00%	100.00%	100.00%	-
	Bebe Poshe International Co., Ltd (Bebe Poshe)	Wholesale of cosmetics	85.00%	-	-	Note 7
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	93.55%	91.30%	91.30%	Note 6

(Concluded)

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

Note 6: In August 2018, momo and its subsidiaries increased the capital of Asian Crown (BVI) to invest in FGE. Due to the non-proportional investment in capital increase, momo's ownership percentage in Asian Crown (BVI) and in FGE increased.

Note 7: In the third quarter of 2018, momo paid $85,000 thousand in cash to acquire control over Bebe Poshe and included Bebe Poshe in the consolidated financial statements.

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 29.

ii. Financial assets at amortized cost

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

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

ii) 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 and 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, except for short-term receivables when the recognition of interest is immaterial. 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.

<u>2017</u>

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 and 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 and contract assets 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 a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

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.

2017

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

2018

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 is 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 exist, 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.

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.

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.

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

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand and revolving funds	$ 161,604	$ 158,956	$ 74,928
Cash in banks	3,064,389	1,604,849	1,748,631
Time deposits	1,157,439	2,458,907	2,006,265
Government bonds with repurchase rights and short-term notes and bills	1,551,577	2,408,832	2,143,511
	$ 5,935,009	$ 6,631,544	$ 5,973,335

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

	September 30, 2018
Investments in equity instruments - current	
Domestic investments	
Listed stock	$ 239,086
Foreign investments	
Unlisted stock	13,161
	$ 252,247

Non-current investments in equity instruments	September 30, 2018
Domestic investments	
Listed stock	$ 3,727,723
Unlisted stock	170,953
Foreign investments	
Limited partnership	892,616
Unlisted stock	27,876
	$ 4,819,168

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 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	September 30, 2017
Domestic listed stock	$ 3,829,968	$ 3,920,865
Beneficiary certificates	845,806	859,281
Limited partnership	785,065	804,610
Foreign unlisted stock	28,269	32,370
	$ 5,489,108	$ 5,617,126
Current	$ 1,104,467	$ 1,118,783
Non-current	4,384,641	4,498,343
	$ 5,489,108	$ 5,617,126

9. ACCOUNTS AND NOTES RECEIVABLE, NET

	September 30, 2018	December 31, 2017	September 30, 2017
Notes receivable	$ 58,420	$ 126,321	$ 217,269
Accounts receivable	8,086,374	14,969,546	14,923,553
Less: Allowance for impairment loss	(475,280)	(524,842)	(566,059)
	$ 7,669,514	$ 14,571,025	$ 14,574,763

For the Nine Months Ended September 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:

September 30, 2018

		Overdue			
	Not past due	**1 to 120 days**	**121 to 365 days**	**Over 365 days**	**Total**
Gross carrying amount	$ 7,401,381	$ 448,708	$ 294,417	$ 288	$ 8,144,794
Loss allowance (Lifetime ECL)	(56,411)	(143,617)	(274,964)	(288)	(475,280)
Amortized cost	$ 7,344,970	$ 305,091	$ 19,453	$ -	$ 7,669,514

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 and accounts receivable were as follows:

	For the Nine Months Ended September 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	315,336
Recovery	14,427
Less: Write-off	(322,957)
Ending balance	$ 475,280

For the Nine Months Ended September 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	September 30, 2017
Neither past due nor impaired	$ 14,192,631	$ 14,074,092
Past due but not impaired		
Past due within 30 days	174,746	216,217
Past due 31-60 days	35,775	34,545
Past due 61-120 days	25,785	20,652
Past due 121-180 days	10,257	6,233
Past due over 180 days	5,510	5,755
	$ 14,444,704	$ 14,357,494

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

	For the Nine Months Ended September 30, 2017
Beginning balance	$ 615,572
Add: Provision	233,930
Recovery	62,157
Less: Write-off	(345,600)
Ending balance	$ 566,059

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

	September 30, 2018	December 31, 2017	September 30, 2017
Merchandise	$ 3,259,651	$ 4,319,254	$ 3,127,314
Materials for maintenance	12,890	12,555	26,423
	$ 3,272,541	$ 4,331,809	$ 3,153,737

For the three months and the nine months ended September 30, 2018, the cost of goods sold related to the inventories amounted to $12,309,216 thousand and $37,281,053 thousand, respectively, which included the inventory write-down, totaling $2,962 thousand and $15,083 thousand, respectively.

For the three months and the nine months ended September 30, 2017, the cost of goods sold related to the inventories amounted to $11,527,543 thousand and $33,855,957 thousand, respectively, which included the reversal of inventory write-down, totaling $34,852 thousand and $77,451 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

	September 30, 2018		December 31, 2017		September 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.)	$ 711,823	20.00	$ 781,922	20.00	$ 774,096	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	382,731	17.70	401,192	17.70	402,926	17.70
Kbro Media Co., Ltd. (Kbro Media)	169,586	32.50	178,825	32.50	195,070	32.50
TVD Shopping Co., Ltd. (TVD Shopping)	123,998	35.00	117,462	35.00	144,857	35.00
Alliance Digital Tech Co., Ltd. (ADT)	12,774	14.40	14,451	14.40	27,593	14.40
	$ 1,400,912		$ 1,493,852		$ 1,544,542	

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 its 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 for THB155,750 thousand.

On November 23, 2017, an extraordinary stockholders' meeting of TVD Shopping resolved to reduce its capital stock. 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	**September 30, 2018**	**December 31, 2017**	**September 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:

	September 30, 2018	December 31, 2017	September 30, 2017
Current assets	$ 4,576,887	$ 5,683,832	$ 4,191,968
Non-current assets	13,539,750	13,567,528	12,922,135
Current liabilities	(4,610,340)	(5,643,907)	(3,857,999)
Non-current liabilities	(275,807)	(266,474)	(260,313)
Equity	$ 13,230,490	$ 13,340,979	$ 12,995,791
Equity attributable to:			
Owners of the parent	$ 9,131,798	$ 9,195,737	$ 9,039,578
Non-controlling interests of momo	4,076,376	4,154,476	3,963,730
Non-controlling interests of momo's subsidiaries	22,316	(9,234)	(7,517)
	$ 13,230,490	$ 13,340,979	$ 12,995,791

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Operating revenues	$ 9,811,117	$ 8,023,755	$ 29,625,278	$ 23,298,575
Profit	$ 310,595	$ 241,370	$ 1,036,953	$ 900,681
Other comprehensive income (loss)	(29,954)	12,102	(43,965)	(37,490)
Comprehensive income	$ 280,641	$ 253,472	$ 992,988	$ 863,191
Profit (loss) attributable to:				
Owners of the parent	$ 140,373	$ 109,550	$ 468,674	$ 408,023
Non-controlling interests of momo	171,464	133,814	572,479	498,394
Non-controlling interests of momo's subsidiaries	(1,242)	(1,994)	(4,200)	(5,736)
	$ 310,595	$ 241,370	$ 1,036,953	$ 900,681
Comprehensive income (loss) attributable to:				
Owners of the parent	$ 126,771	$ 115,058	$ 448,814	$ 391,165
Non-controlling interests of momo	154,852	140,541	548,221	477,802
Non-controlling interests of momo's subsidiaries	(982)	(2,127)	(4,047)	(5,776)
	$ 280,641	$ 253,472	$ 992,988	$ 863,191

	For the Nine Months Ended September 30	
	2018	2017
Net cash generated from operating activities	$ 890,682	$ 450,696
Net cash used in investing activities	(630,503)	(165,366)
Net cash used in financing activities	(1,123,422)	(1,126,382)
Effect of exchange rate changes	(541)	(541)
Net decrease in cash	$ (863,784)	$ (841,593)
Dividends paid to non-controlling interests	$ (616,090)	$ (616,090)

13. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In August 2018, momo and its subsidiaries increased the capital of Asian Crown (BVI) to invest in FGE. Due to non-proportional investment in capital increase (Tong-An Investment Co., Ltd. participated in the capital increase), momo's ownership percentage in Asian Crown (BVI) increased from 76.26% to 81.99%, and HK Fubon Multimedia's ownership percentage in FGE increased from 91.30% to 93.55%. The above transactions did not result in losing control of FGE, and were therefore considered as equity transactions.

Proceeds from capital injection	$ 2,316
Increase in non-controlling interests due to equity transaction involving subsidiaries	(12,663)
Capital surplus - changes in percentage of equity in subsidiaries	$ (10,347)

14. 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	-	12,098	223,384	370,868	4,769,563	5,375,913
Reclassification	(35,303)	62,828	4,530,434	339,347	(4,952,728)	(55,422)
Disposals and retirements	(2,784)	(1,164)	(2,737,163)	(338,046)	(1,030)	(3,080,187)
Effect of exchange rate changes	-	-	(2,004)	(131)	-	(2,135)
Balance, September 30, 2018	$ 8,212,770	$ 5,626,468	$ 86,519,714	$ 9,296,726	$ 1,582,000	$ 111,237,678
Accumulated depreciation and impairment						
Balance, January 1, 2018	$ 83,426	$ 1,369,660	$ 59,427,788	$ 6,515,214	$ -	$ 67,396,088
Depreciation	-	118,162	6,357,639	985,743	-	7,461,544
Reversal of Impairment loss	(81,764)	(21,822)	-	-	-	(103,586)
Reclassification	-	(5,568)	(1,061)	-	-	(6,629)
Disposals and retirements	-	(439)	(2,655,874)	(329,334)	-	(2,985,647)
Effect of exchange rate changes	-	-	(1,723)	(94)	-	(1,817)
Balance, September 30, 2018	$ 1,662	$ 1,459,993	$ 63,126,769	$ 7,171,529	$ -	$ 71,759,953
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, September 30, 2018	$ 8,211,108	$ 4,166,475	$ 23,392,945	$ 2,125,197	$ 1,582,000	$ 39,477,725

	Land	Buildings	Telecommuni-cations Equipment and Machinery	Miscellaneous Equipment	Construction in Progress and Equipment to be Inspected	Total
Cost						
Balance, January 1, 2017	$ 8,291,858	$ 3,898,840	$ 89,243,221	$ 8,110,323	$ 2,999,439	$ 112,543,681
Additions	-	-	253,439	868,269	6,470,983	7,592,691
Reclassification	(29,969)	(11,162)	5,323,867	296,801	(5,647,469)	(67,932)
Disposals and retirements	(9,724)	(9,197)	(11,027,581)	(680,107)	(524)	(11,727,133)
Effect of exchange rate changes	-	-	(2,057)	(81)	-	(2,138)
Balance, September 30, 2017	$ 8,252,165	$ 3,878,481	$ 83,790,889	$ 8,595,205	$ 3,822,429	$ 108,339,169
Accumulated depreciation and impairment						
Balance, January 1, 2017	$ 83,426	$ 1,272,965	$ 62,639,823	$ 6,132,238	$ -	$ 70,128,452
Depreciation	-	77,330	6,815,790	805,533	-	7,698,653
Reclassification	-	(4,807)	-	223	-	(4,584)
Disposals and retirements	-	(3,416)	(10,898,912)	(671,802)	-	(11,574,130)
Effect of exchange rate changes	-	-	(1,722)	(22)	-	(1,744)
Balance, September 30, 2017	$ 83,426	$ 1,342,072	$ 58,554,979	$ 6,266,170	$ -	$ 66,246,647
Carrying amount, September 30, 2017	$ 8,168,739	$ 2,536,409	$ 25,235,910	$ 2,329,035	$ 3,822,429	$ 42,092,522

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 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. For the nine months ended September 30, 2018, the reversal of impairment loss of $103,586 thousand was included in other gains and losses in the statement of comprehensive income.

15. 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 September 30, 2018, December 31, 2017 and September 30, 2017, the fair values of investment properties were $6,804,478 thousand, $6,720,319 thousand and $6,709,162 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 nine months ended September 30, 2018 and 2017 were $4,999 thousand, $5,028 thousand, $14,956 thousand, and $19,446 thousand, respectively.

16. 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	-	-	26,665	227,658	-	-	-	4,755	259,078
Disposals and retirements	(3,427,000)	-	-	(91,128)	-	-	-	-	(3,518,128)
Reclassification	-	-	-	156,265	-	-	-	5,400	161,665
Effect of exchange rate changes	-	-	-	(332)	-	-	-	-	(332)
Balance, September 30, 2018	$ 47,897,375	$ 8,180,078	$ 15,872,595	$ 3,821,531	$ 2,654,089	$ 1,382,000	$ 2,517,866	$ 10,155	$ 82,335,689
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	2,125,254	134,040	-	365,640	102,300	-	121	4,955	2,732,310
Disposals and retirements	(3,302,382)	-	-	(87,744)	-	-	-	-	(3,390,126)
Effect of exchange rate changes	-	-	-	(224)	-	-	-	-	(224)
Balance, September 30, 2018	$ 13,804,159	$ 986,626	$ -	$ 3,128,789	$ 1,476,563	$ 1,382,000	$ 1,454	$ 4,955	$ 19,402,546
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, September 30, 2018	$ 34,093,216	$ 7,193,452	$ 15,872,595	$ 692,742	$ 1,177,526	$ 1,382,000	$ 2,516,412	$ 5,200	$ 62,933,143
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	-	-	-	171,730	-	-	-	-	171,730
Disposals and retirements	-	-	-	(160,859)	-	-	-	-	(160,859)
Reclassification	-	-	-	178,096	-	-	-	-	178,096
Effect of exchange rate changes	-	-	-	(344)	-	-	-	-	(344)
Balance, September 30, 2017	$ 42,724,375	$ 8,180,078	$ 15,845,930	$ 3,478,038	$ 2,654,089	$ 1,382,000	$ 2,517,866	$ -	$ 76,782,376
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	1,908,943	134,039	-	345,990	102,300	-	127	-	2,491,399
Disposals and retirements	-	-	-	(160,859)	-	-	-	-	(160,859)
Reclassification	-	-	-	(223)	-	-	-	-	(223)
Effect of exchange rate changes	-	-	-	(224)	-	-	-	-	(224)
Balance, September 30, 2017	$ 14,275,218	$ 807,906	$ -	$ 2,821,283	$ 1,340,163	$ -	$ 1,294	$ -	$ 19,245,864
Carrying amount, September 30, 2017	$ 28,449,157	$ 7,372,172	$ 15,845,930	$ 656,755	$ 1,313,926	$ 1,382,000	$ 2,516,572	$	$ 57,536,512

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 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 control over 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:

	September 30, 2018	December 31, 2017	September 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	5,006,231	4,979,566	4,979,566
	$ 15,872,595	$ 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 September 30, 2018.

17. OTHER NON-CURRENT ASSETS

	September 30, 2018	December 31, 2017	September 30, 2017
Long-term accounts receivable	$ 75,094	$ 4,059,680	$ 4,092,168
Refundable deposits	629,297	608,184	1,603,728
Prepayments for equipment	186,065	61,914	103,693
Others	511,458	502,638	498,429
	$ 1,401,914	$ 5,232,416	$ 6,298,018

In August 2017, the Board of Directors resolved to apply for the participation in the 1800 MHz (C6) and 2100 MHz spectrum auction announced by the NCC, and TWM paid $1,000,000 thousand as bid bond.

18. BORROWINGS

a. Short-term borrowings

	September 30, 2018	December 31, 2017	September 30, 2017
Unsecured loans	$ 5,390,773	$ 9,662,318	$ 8,612,052
Annual interest rate	0.7%-5.44%	0.7%-5.44%	0.73%-5.22%

For the information on endorsements and guarantees and pledged deposits, see Note 31, Note 32 (b) and Table 2.

b. Short-term notes and bills payable

	September 30, 2018	December 31, 2017	September 30, 2017
Short-term notes and bills payable	$ 2,400,000	$ 5,600,000	$ 5,000,000
Less: Discount on short-term notes and bills payable	(1,316)	(4,108)	(2,180)
	$ 2,398,684	$ 5,595,892	$ 4,997,820
Annual interest rate	0.638%-0.658%	0.528%-0.75%	0.508%-0.518%

c. Long-term borrowings

	September 30, 2018	December 31, 2017	September 30, 2017
Unsecured loans	$ 11,000,000	$ 19,000,000	$ 18,720,000
Secured loans	3,243,499	3,395,962	2,763,800
Less: Current portion	(5,303,225)	(8,203,289)	(5,353,673)
	$ 8,940,274	$ 14,192,673	$ 16,130,127
Annual interest rate:			
Unsecured loans	0.72%-1.22%	0.72%-1.26%	0.72%-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, 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 July 2021, 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 31.

19. BONDS PAYABLE

	September 30, 2018	December 31, 2017	September 30, 2017
3rd domestic unsecured straight corporate bonds	$ 8,999,525	$ 8,998,958	$ 8,998,770
4th domestic unsecured straight corporate bonds	-	2,899,901	2,899,802
5th domestic unsecured straight corporate bonds	14,985,712	-	-
3rd domestic unsecured convertible bonds	9,714,396	9,650,076	9,627,847
Less: Current portion	(4,499,932)	(7,399,528)	(2,899,802)
	$ 29,199,701	$ 14,149,407	$ 18,626,617

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 September 30, 2018, the amount of unamortized bond issue cost was $475 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. Repayment will be made in full at maturity. As of September 30, 2018, the amount of unamortized bond issue cost was $14,288 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 $104.7 per share since July 16, 2018. 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. As of September 30, 2018, the amount of unamortized bond discount was $283,604 thousand.

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	75,242
Liability component at September 30, 2017	$ 9,627,847
Liability component at January 1, 2018	$ 9,650,076
Interest charged at an effective interest rate	66,263
Convertible bonds converted into common stock	(1,943)
Liability component at September 30, 2018	$ 9,714,396

As of September 30, 2018, the bondholders had requested to convert the bonds at face value of $2,000 thousand.

20. PROVISIONS

	September 30, 2018	December 31, 2017	September 30, 2017
Restoration	$ 1,187,282	$ 1,208,093	$ 1,196,270
Decommissioning	254,745	213,372	200,340
Warranties	74,958	128,412	140,280
	$ 1,516,985	$ 1,549,877	$ 1,536,890
Current	$ 127,198	$ 178,008	$ 189,578
Non-current	1,389,787	1,371,869	1,347,312
	$ 1,516,985	$ 1,549,877	$ 1,536,890

	Restoration	Decom-missioning	Warranties	Total
Balance, January 1, 2018	$ 1,208,093	$ 213,372	$ 128,412	$ 1,549,877
Provision	42,028	36,720	71,821	150,569
Payment/Reversal	(66,934)	-	(125,275)	(192,209)
Unwinding of discount	4,095	4,653	-	8,748
Balance, September 30, 2018	$ 1,187,282	$ 254,745	$ 74,958	$ 1,516,985
Balance, January 1, 2017	$ 1,186,572	$ 160,923	$ 161,066	$ 1,508,561
Provision	51,537	35,790	124,441	211,768
Payment/Reversal	(46,858)	-	(145,227)	(192,085)
Unwinding of discount	5,019	3,627	-	8,646
Balance, September 30, 2017	$ 1,196,270	$ 200,340	$ 140,280	$ 1,536,890

21. 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 $76,422 thousand and $73,288 thousand for the three months ended September 30, 2018 and 2017, respectively, and $228,845 thousand and $220,065 thousand for the nine months ended September 30, 2018 and 2017, respectively.

b. Defined benefit plan

The Group recognized pension amount of $1,996 thousand and $1,829 thousand for the three months ended September 30, 2018 and 2017, respectively, and $5,988 thousand and $5,488 thousand for the nine months ended September 30, 2018 and 2017, respectively, by using the actuarially determined pension cost rate.

22. EQUITY

a. Common stock

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

As of September 30, 2018, the bondholders of convertible bonds had requested to convert the bonds into 19 thousand common stocks. TWM recognized capital collected in advance amounting to $191 thousand and would complete the amendment registration after the issuance of new stocks on the record date in accordance with the regulations.

b. Capital surplus

	September 30, 2018	December 31, 2017	September 30, 2017
Additional paid-in capital from convertible corporate bonds	$ 6,077,348	$ 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	501,215	511,562	511,562
Convertible bonds payable options	400,484	400,564	400,564
Changes in equity of associates accounted for using equity method	42,164	39,767	36,014
Others	32,952	32,952	15,418
	$ 12,299,832	$ 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.

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	(8,416)	-	-	(8,416)
Changes in fair value of FVTOCI - financial asset	-	271,627	-	271,627
Changes in other comprehensive income (loss) of associates accounted for using equity method	(664)	(7,970)	-	(8,634)
Income tax effect	-	(20,893)	-	(20,893)
Balance, September 30, 2018	$ (25,579)	$ (39,021)	$ -	$ (64,600)

(Continued)

	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, 2017	$ (9,133)	$ -	$ (680,901)	$ (690,034)
Exchange differences on translation	(7,266)	-	-	(7,266)
Changes in fair value of available-for-sale financial assets	-	-	490,825	490,825
Changes in other comprehensive income (loss) of associates accounted for using equity method	(347)	-	(24,015)	(24,362)
Balance, September 30, 2017	$ (16,746)	$ -	$ (214,091)	$ (230,837)

(Concluded)

e. Treasury stock

As of September 30, 2018, December 31, 2017 and September 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 $76,513,300 thousand, $75,115,797 thousand and $75,814,549 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 Nine Months Ended September 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	606,725	540,204
Exchange differences on translation	(7,964)	(5,689)
Unrealized gain (loss) on financial asset at FVTOCI	(11,587)	-
Unrealized gain (loss) on available-for-sale financial assets	-	(10,782)
Remeasurements from defined benefit plans	146	-
Share of other comprehensive income (loss) of associates accounted for using equity method	(4,694)	(4,161)
Changes in equity of associates accounted for using equity method	2,409	-
Changes in ownership interests in subsidiaries	12,663	-
Cash dividends paid to non-controlling interests of subsidiaries	(616,452)	(616,647)
Increase in non-controlling interests	10,295	-
Ending balance	$ 5,871,240	$ 5,672,570

23. OPERATING REVENUES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Revenue from contracts with customers				
Telecommunications and value-added services	$ 12,878,147	$ 14,428,231	$ 40,613,970	$ 43,637,422
Sales revenue	13,598,615	12,539,319	40,995,699	36,400,664
Cable TV and broadband services	1,547,668	1,590,054	4,654,480	4,733,506
Other operating revenues	295,543	205,521	902,251	636,067
	$ 28,319,973	$ 28,763,125	$ 87,166,400	$ 85,407,659

a. Contract information

Please refer to Note 4(f) and Note 35.

b. Contract balances

	September 30, 2018
Contract assets	
Bundle sales	$ 8,954,737
Less: Allowance for impairment loss	(75,919)
	$ 8,878,818
Current	$ 5,645,634
Non-current	3,233,184
	$ 8,878,818

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

	September 30, 2018
Contract liabilities	
Telecommunications and value-added services	$ 1,188,558
Sales of goods	99,818
Cable TV and broadband services	729,762
Others	23,847
	$ 2,041,985
Current	$ 1,982,337
Non-current	59,648
	$ 2,041,985

c. Incremental costs of obtaining a contract

	September 30, 2018
Incremental costs of obtaining a contract - non-current	$ 3,266,998

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 nine months ended September 30, 2018 were $809,496 thousand and $2,635,125 thousand, respectively.

24. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Interest income	$ 12,901	$ 40,062	$ 46,610	$ 122,429
Dividend income	78,083	64,708	83,164	72,407
Other income	21,146	41,591	59,450	118,113
	$ 112,130	$ 146,361	$ 189,224	$ 312,949

b. Other gains and losses, net

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Loss on disposal of property, plant and equipment, net	$ (25,116)	$ (69,843)	$ (56,815)	$ (123,828)
Loss on disposal of intangible assets, net	(3,384)	-	(128,002)	-
Valuation gain (loss) on financial assets at FVTPL	538	(2,674)	(21,915)	(38,973)
Valuation gain on financial liabilities at FVTPL	3,000	2,000	8,000	30,000
Reversal of impairment loss on property, plant and equipment	-	-	103,586	-
Gain (loss) on foreign exchange	(9,664)	(1,143)	2,999	(74,044)
Gain on disposal of investments	-	2,308	-	3,000
Others	(2,497)	(6,957)	(5,494)	(28,773)
	$ (37,123)	$ (76,309)	$ (97,641)	$ (232,618)

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Interest expense				
Bank loans	$ 55,914	$ 78,633	$ 186,166	$ 232,147
Corporate bonds	89,122	62,292	232,980	196,616
Others	9,124	11,957	38,653	31,978
	154,160	152,882	457,799	460,741
Less: Capitalized interest	(1,473)	(509)	(4,701)	(2,373)
	$ 152,687	$ 152,373	$ 453,098	$ 458,368
Capitalization rates	1.34%	1.33%	1.34%	1.33%

25. INCOME TAX

a. Income tax recognized in profit or loss

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Current income tax expense				
Current period	$ 652,894	$ 584,305	$ 2,312,996	$ 2,265,972
Prior years' adjustment	-	33,657	(85,060)	(42,361)
Others	(10,198)	-	(42,451)	-
	642,696	617,962	2,185,485	2,223,611
Deferred income tax expense				
Temporary differences	38,100	(2,103)	180,499	(65,271)
Changes in tax rates	-	-	1,962	-
	38,100	(2,103)	182,461	(65,271)
Income tax expense	$ 680,796	$ 615,859	$ 2,367,946	$ 2,158,340

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 September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Deferred income tax expense (income)				
Current period - Unrealized gain (loss) on financial assets at FVTOCI	$ 2,087	$ -	$ 20,893	$ -
Changes in tax rates - Remeasurements from defined benefit plans	-	-	(18,302)	-
	$ 2,087	$ -	$ 2,591	$ -

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
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
Bebe Poshe	2016

26. EARNINGS PER SHARE

	For the Three Months Ended September 30, 2018		
	Amount After Income Tax	Weighted-average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of the parent	$ 3,273,365	2,722,081	$ 1.21
Effect of potential dilutive common stock			
Employees' compensation	-	3,058	
Convertible bonds	19,381	95,511	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	$ 3,292,746	2,820,650	$ 1.16

	For the Three Months Ended September 30, 2017		
	Amount After Income Tax	Weighted-average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of the parent	$ 3,961,394	2,722,081	$ 1.46
Effect of potential dilutive common stock			
Employees' compensation	-	3,357	
Convertible bonds	20,177	90,662	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	$ 3,981,571	2,816,100	$ 1.41

	For the Nine Months Ended September 30, 2018		
	Amount After Income Tax	Weighted-average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of the parent	$ 10,551,603	2,722,081	$ 3.88
Effect of potential dilutive common stock			
Employees' compensation	-	3,520	
Convertible bonds	58,263	95,511	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	$ 10,609,866	2,821,112	$ 3.76

	For the Nine Months Ended September 30, 2017		
	Amount After Income Tax	Weighted-average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of the parent	$ 11,750,575	2,722,081	$ 4.32
Effect of potential dilutive common stock			
Employees' compensation	-	3,751	
Convertible bonds	35,659	90,662	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	$ 11,786,234	2,816,494	$ 4.19

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.

27. OPERATING LEASES

a. Lessee

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

	September 30, 2018	December 31, 2017	September 30, 2017
Less than one year	$ 3,426,577	$ 3,190,293	$ 3,110,452
Between one and five years	6,007,801	5,301,622	5,038,353
More than five years	67,377	71,922	75,329
	$ 9,501,755	$ 8,563,837	$ 8,224,134

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 September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Minimum lease payment	$ 945,118	$ 928,606	$ 2,842,345	$ 2,775,007
Sublease payment	(1,805)	(968)	(6,694)	(3,011)
	$ 943,313	$ 927,638	$ 2,835,651	$ 2,771,996

b. Lessor

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

	September 30, 2018	December 31, 2017	September 30, 2017
Less than one year	$ 153,295	$ 145,965	$ 146,841
Between one and five years	524,190	546,723	544,885
More than five years	83,962	157,515	178,923
	$ 761,447	$ 850,203	$ 870,649

28. 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.

29. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets			
Financial assets at FVTPL	$ 87,365	$ -	$ 353
Financial assets at FVTOCI (including current and non-current portions)	5,071,415	-	-
Available-for-sale financial assets (including current and non-current portions)	-	5,489,108	5,617,126
Financial assets carried at cost	-	171,221	177,401
Financial assets measured at amortized cost (including current and non-current portions) (Note 1)	16,770,449	-	-
Loans and receivables (including current and non-current portions) (Note 2)	-	31,158,221	31,109,338
Total	$ 21,929,229	$ 36,818,550	$ 36,904,218
Financial liabilities			
Financial liabilities measured at amortized cost (including current and non-current portions) (Note 3)	$ 73,080,403	$ 80,206,990	$ 75,566,368
Financial liabilities at FVTPL	1,960	9,961	11,961
Total	$ 73,082,363	$ 80,216,951	$ 75,578,329

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

Note 2: The balances comprise cash and cash equivalents, notes and accounts receivable, 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.

	September 30, 2018		**December 31, 2017**		**September 30, 2017**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial liabilities						
Bonds payable (including current portion)	$ 33,699,633	$ 34,516,174	$ 21,548,935	$ 22,151,528	$ 21,526,419	$ 22,173,867

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).

September 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Beneficiary certificates	$ 87,365	$ -	$ -	$ 87,365
Financial assets at FVTOCI				
Equity instruments				
Domestic listed stocks	$ 3,966,809	$ -	$ -	$ 3,966,809
Domestic unlisted stocks	-	-	170,953	170,953
Limited partnerships	-	-	892,616	892,616
Foreign unlisted stocks	-	13,161	27,876	41,037
	$ 3,966,809	$ 13,161	$ 1,091,445	$ 5,071,415
Financial liabilities at FVTPL	$ -	$ 1,960	$ -	$ 1,960

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed stocks	$ 3,829,968	$ -	$ -	$ 3,829,968
Beneficiary certificates	845,806	-	-	845,806
Limited partnerships	-	-	785,065	785,065
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

September 30, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	$ -	$ -	$ 353	$ 353
Available-for-sale financial assets				
Domestic listed stocks	$ 3,920,865	$ -	$ -	$ 3,920,865
Beneficiary certificates	859,281	-	-	859,281
Limited partnerships	-	-	804,610	804,610
Foreign unlisted stocks	-	32,370	-	32,370
	$ 4,780,146	$ 32,370	$ 804,610	$ 5,617,126
Financial liabilities at FVTPL	$ -	$ 11,961	$ -	$ 11,961

There was no transfer between the fair value measurements of Levels 1 and 2 for the nine months ended September 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 September 30, 2017, the historical volatility of stock prices was estimated at 45.1% and 47.97%, and the liquidity discount rate was estimated at 10.53% and 14.73%, 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 September 30, 2018 and December 31, 2017, respectively.

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

For the nine months ended September 30, 2018

	Financial Assets at FVTPL - Convertible Notes	**Financial Assets at FVTOCI - Equity Instruments**
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)	-	138,308
Redeem	(491,192)	-
Capital return	-	(3,149)
Balance at September 30, 2018	$ -	$ 1,091,445

For the nine months ended September 30, 2017

	Financial Assets at FVTPL - Derivative Instruments	**Available-for-sale Financial Assets - Equity Instruments**
Balance at January 1, 2017	$ 42,030	$ -
Purchase	-	810,865
Recognized in profit or loss		
Loss on financial assets at FVTPL	(38,973)	-
Unrealized loss on foreign currency exchange	(2,704)	-
Recognized in other comprehensive income		
Unrealized loss on available-for-sale financial assets	-	(6,255)
Balance at September 30, 2017	$ 353	$ 804,610

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 September 30, 2018, December 31, 2017 and September 30, 2017, the Group had unused bank facilities of $60,732,991 thousand, $52,113,192 thousand and $55,868,131 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
September 30, 2018				
Unsecured loans	$ 16,506,412	$ 10,460,685	$ 6,045,727	$ -
Secured loans	3,581,925	268,479	1,032,426	2,281,020
Short-term notes and bills payable	2,400,000	2,400,000	-	-
Bonds payable	35,063,300	4,761,480	21,121,820	9,180,000
	$ 57,551,637	$ 17,890,644	$ 28,199,973	$ 11,461,020
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
September 30, 2017				
Unsecured loans	$ 27,553,859	$ 13,921,442	$ 13,632,417	$ -
Secured loans	2,922,377	269,631	2,652,746	-
Short-term notes and bills payable	5,000,000	5,000,000	-	-
Bonds payable	22,238,910	3,058,010	19,180,900	-
	$ 57,715,146	$ 22,249,083	$ 35,466,063	$ -

5) Market risk

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

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

a) Exchange rate risk

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

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

	September 30, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Foreign currency assets			
Monetary items			
RMB	$ 15,587	4.447	$ 69,316
USD	32,960	30.59	1,008,245
EUR	497	35.81	17,814
Non-monetary items			
RMB	160,068	4.447	711,823
USD	30,091	30.59	920,492
HKD	3,362	3.914	13,161
THB	130,731	0.949	123,998
Foreign currency liabilities			
Monetary items			
USD	13,660	30.59	417,860
EUR	1,001	35.81	35,836

	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

	September 30, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Foreign currency assets			
Monetary items			
RMB	$ 10,394	4.559	$ 47,386
USD	28,546	30.315	865,424
HKD	117,077	3.881	454,374
EUR	771	35.76	27,573
Non-monetary items			
RMB	169,795	4.559	774,096
USD	26,542	30.315	804,610
HKD	8,432	3.881	32,723
THB	158,695	0.913	144,857
Foreign currency liabilities			
Monetary items			
RMB	4,545	4.559	20,721
USD	13,995	30.315	424,317
EUR	33	35.76	1,182

The Group's foreign exchange gains and losses, including realized and unrealized, for the three months ended September 30, 2018 and 2017, were net exchange loss of $9,664 thousand and $1,143 thousand, respectively. For the nine months ended September 30, 2018 and 2017, net exchange gain amounted to $2,999 thousand and net exchange loss amounted to $74,044 thousand, respectively. Due to the variety of functional currencies, the Group could not disclose the foreign exchange gains (losses) for each foreign currency with significant influence.

Sensitivity analysis

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts denominated in 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 $32,084 thousand and $47,427 thousand for the nine months ended September 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:

	September 30, 2018	December 31, 2017	September 30, 2017
Fair value interest rate risk			
Financial assets	$ 3,111,565	$ 7,657,551	$ 7,021,608
Financial liabilities	37,783,922	31,194,752	30,446,392
Cash flow interest rate risk			
Financial assets	3,137,496	1,714,113	1,924,488
Financial liabilities	8,234,271	18,358,279	16,545,852

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 $19,113 thousand and $54,830 thousand for the nine months ended September 30, 2018 and 2017, respectively.

c) Other market price risk

The exposure to equity price risk is mainly due to holding of stocks and beneficiary certificates. 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 $4,368 thousand since the fair value of financial assets at FVTPL decreased for the nine months ended September 30, 2018; other comprehensive income would have decreased by $253,571 thousand since the fair value of financial assets at FVTOCI decreased for the nine months ended September 30, 2018; and other comprehensive income would have decreased by $280,856 thousand since the fair value of available-for-sale financial assets decreased for the nine months ended September 30, 2017.

30. 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
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

c. Significant transactions with related parties

1) Operating revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Associates	$ 15,073	$ 22,367	$ 53,425	$ 37,724
Other related parties	237,630	236,141	615,058	651,046
	$ 252,703	$ 258,508	$ 668,483	$ 688,770

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 September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Associates	$ 98,357	$ 101,092	$ 307,651	$ 297,800
Other related parties	199,314	243,834	677,039	555,472
	$ 297,671	$ 344,926	$ 984,690	$ 853,272

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**	**September 30, 2018**	**December 31, 2017**	**September 30, 2017**
Accounts receivable	Associates	$ 4,288	$ 7,405	$ 9,667
Accounts receivable	Other related parties	124,494	99,070	116,846
		$ 128,782	$ 106,475	$ 126,513
Other receivables	Associates	$ 93,308	$ 123,781	$ 110,630
Other receivables	Other related parties	45,939	74,100	33,297
		$ 139,247	$ 197,881	$ 143,927

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	September 30, 2018	December 31, 2017	September 30, 2017
Accounts payable	Associates	$ 83,211	$ 502	$ 818
Accounts payable	Other related parties	75,233	129,130	71,216
		$ 158,444	$ 129,632	$ 72,034
Other payables	Associates	$ 391	$ 95,714	$ 47,428
Other payables	Other related parties	63,136	67,680	69,371
		$ 63,527	$ 163,394	$ 116,799

5) Prepayments

	September 30, 2018	December 31, 2017	September 30, 2017
Other related parties			
Fubon Ins.	$ 33,043	$ 56,138	$ 63,017

6) Borrowings from related parties

	September 30, 2018	December 31, 2017	September 30, 2017
Other related parties	$ -	$ -	$ 62,052

The rate on borrowings from related parties was equivalent to the rate in the market. As of September 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

	September 30, 2018	December 31, 2017	September 30, 2017
Other related parties			
TFCB	$ 1,231,716	$ 1,185,528	$ 1,088,464
Others	89,461	8,530	6,918
	$ 1,321,177	$ 1,194,058	$ 1,095,382

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 nine months ended September 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 nine months ended September 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 nine months ended September 30, 2017.

11) Others

	September 30, 2018	December 31, 2017	September 30, 2017
Guarantee deposits			
Other related parties	$ 51,522	$ 48,459	$ 48,438
Other current liabilities - receipts under custody			
Other related parties	$ 50,167	$ -	$ -

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Operating expenses				
Other related parties				
TMF	$ 6,000	$ 5,000	$ 14,420	$ 15,000
TNHF	-	-	5,000	5,000
Fubon Life	36,096	35,077	106,259	105,233
TFCB	57,073	67,891	193,914	201,187
Others	34,058	31,936	130,117	112,583
	$ 133,227	$ 139,904	$ 449,710	$ 439,003

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Non-operating income				
Other related parties	$ -	$ 11,553	$ -	$ 11,553

The above operating expenses and non-operating income include rental expenses and rental income. The leases are conducted by referring to the general market prices, and rental is paid and collected on a monthly or bimonthly basis.

d. Key management compensation

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Short-term employee benefits	$ 63,664	$ 64,603	$ 221,235	$ 222,177
Termination and post-employment benefits	2,228	14,073	6,867	18,767
	$ 65,892	$ 78,676	$ 228,102	$ 240,944

31. ASSETS PLEDGED

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

	September 30, 2018	December 31, 2017	September 30, 2017
Other current financial assets	$ 143,352	$ 2,552,383	$ 2,690,252
Services concessions	7,193,452	7,327,492	7,372,172
Other non-current financial assets	130,587	128,987	128,819
	$ 7,467,391	$ 10,008,862	$ 10,191,243

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	September 30, 2018	December 31, 2017	September 30, 2017
Purchases of property, plant and equipment	$ 1,367,932	$ 3,683,121	$ 4,842,567
Purchases of cellular phones	$ 4,201,656	$ 3,316,989	$ 5,127,624

b. As of September 30, 2018, December 31, 2017 and September 30, 2017, the amounts of endorsements and guarantees (provided to group entities) were $21,616,705 thousand, $21,618,400 thousand and $21,755,155 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 $520,194 thousand and $16,950 thousand, respectively, as of September 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 September 30, 2018, the cable television companies had provided $74,055 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 $50,288 thousand and $12,812 thousand, respectively, as of September 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 $1,808 thousand as of September 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 September 30, 2018, $583,375 thousand (tax included) of the concession had been paid.

3) Performance guarantee:

As of September 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, and the counter-security deposit was reclaimed in June 2018. 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”) in January 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) back 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.

33. OTHERS

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

	For the Three Months Ended September 30					
	2018			2017		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	$ 536,053	$ 1,067,795	$ 1,603,848	$ 525,204	$ 1,016,454	$ 1,541,658
Insurance expenses	43,686	96,795	140,481	41,716	93,970	135,686
Pension	24,567	51,274	75,841	23,451	49,432	72,883
Others	25,895	62,687	88,582	25,779	63,312	89,091
Depreciation	2,371,731	84,971	2,456,702	2,477,873	91,913	2,569,786
Amortization	810,979	919,906	1,730,885	753,409	110,622	864,031

	For the Nine Months Ended September 30					
	2018			2017		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	$ 1,628,246	$ 3,329,605	$ 4,957,851	$ 1,560,751	$ 3,146,808	$ 4,707,559
Insurance expenses	131,385	292,315	423,700	126,367	282,409	408,776
Pension	73,053	154,549	227,602	69,913	148,900	218,813
Others	77,566	196,534	274,100	76,858	193,910	270,768
Depreciation	7,222,068	254,432	7,476,500	7,402,261	296,392	7,698,653
Amortization	2,410,304	2,957,131	5,367,435	2,167,553	323,846	2,491,399

Information of employees' compensation and remuneration of directors

According to TWM's Articles, the estimated employees' compensation and remuneration of directors are set 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 $102,711 thousand, $119,095 thousand, $334,871 thousand and $364,277 thousand, and remuneration to directors were $10,271 thousand, $11,910 thousand, $33,487 thousand and $36,428 thousand, which were made by applying the rates to the aforementioned profit before income tax, for the three months and nine months ended September 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 following 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.

34. ADDITIONAL DISCLOSURES

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

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

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

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

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

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

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

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

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

9) Names, locations and related information of investees on which 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)

35. SEGMENT INFORMATION

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

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 September 30, 2018	Telecommunications	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	$ 16,835,177	$ 9,811,117	$ 1,584,786	$ 144,528	$ (55,635)	$ 28,319,973
Operating costs	10,359,409	8,868,707	895,807	86,354	(30,992)	20,179,285
Operating expenses	3,193,277	694,719	204,002	15,122	(50,904)	4,056,216
Net other income and expenses	134,897	2,977	15	-	(10,568)	127,321
Profit	3,417,388	250,668	484,992	43,052	15,693	4,211,793
EBITDA (Note)	6,303,374	334,927	798,484	96,273	56,826	7,589,884

For the Three Months Ended September 30, 2017	Telecommunications	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	$ 19,070,090	$ 8,023,755	$ 1,628,178	$ 149,874	$ (108,772)	$ 28,763,125
Operating costs	11,730,842	7,179,609	849,206	88,823	(43,880)	19,804,600
Operating expenses	3,577,453	561,646	213,385	14,934	(54,757)	4,312,661
Net other income and expenses	171,394	822	7,265	3,566	(7,902)	175,145
Profit	3,933,189	283,322	572,852	49,683	(18,037)	4,821,009
EBITDA (Note)	6,976,165	313,174	843,072	102,824	24,619	8,259,854

For the Nine Months Ended September 30, 2018	Telecommuni-cations	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	$ 52,533,468	$ 29,625,278	$ 4,770,816	$ 432,012	$ (195,174)	$ 87,166,400
Operating costs	31,693,382	26,612,535	2,699,524	257,601	(109,521)	61,153,521
Operating expenses	10,036,361	2,049,986	621,436	44,820	(144,567)	12,608,036
Net other income and expenses	513,128	8,700	231	-	(31,235)	490,824
Profit	11,316,853	971,457	1,450,087	129,591	27,679	13,895,667
EBITDA (Note)	20,052,105	1,203,977	2,408,095	289,086	151,214	24,104,477

For the Nine Months Ended September 30, 2017	Telecommuni-cations	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	$ 57,146,517	$ 23,298,575	$ 4,837,074	$ 430,703	$ (305,210)	$ 85,407,659
Operating costs	35,050,427	20,725,354	2,439,803	264,768	(125,160)	58,355,192
Operating expenses	10,829,203	1,609,889	609,257	42,603	(140,608)	12,950,344
Net other income and expenses	690,923	1,592	18,445	3,566	(27,570)	686,956
Profit	11,957,810	964,924	1,806,459	126,898	(67,012)	14,789,079
EBITDA (Note)	21,068,240	1,045,843	2,532,477	286,320	65,697	24,998,577

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 Nine Months Ended September 30	
	2018	2017
Taiwan, ROC	$ 84,837,298	$ 83,115,128
Overseas	2,329,102	2,292,531
	$ 87,166,400	$ 85,407,659

TABLE 1

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING EXTENDED TO OTHER PARTIES
FOR THE NINE MONTHS ENDED SEPTEMBER 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 Impairment Loss	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	$ 390,000	1.09267%-1.09511%	Short-term financing	$ -	Operation requirements	$ -	-	$ -	$ 35,071,363	$ 35,071,363	Note 2
2	WMT	TWM	Other receivables	Yes	3,000,000	3,000,000	1,978,000	1.09267%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	7,961,701	7,961,701	Note 2
		TKT	Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	7,961,701	7,961,701	Note 2
		TFNM	Other receivables	Yes	3,000,000	3,000,000	1,800,000	1.09311%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	7,961,701	7,961,701	Note 2
		WTVB	Other receivables	Yes	600,000	600,000	325,000	1.09278%-1.09522%	Short-term financing	-	Operation requirements	-	-	-	7,961,701	7,961,701	Note 2
3	TFN	TWM	Other receivables	Yes	9,000,000	9,000,000	6,990,000	1.09267%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	22,641,166	22,641,166	Note 2
4	YJCTV	TFNM	Other receivables	Yes	240,000	180,000	140,000	1.09244%-1.09522%	Transactions	498,099	-	-	-	-	498,099	498,099	Notes 3 and 4
5	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	1.09244%	Transactions	570,296	-	-	-	-	570,296	570,296	Notes 3 and 4
6	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	1.09244%	Short-term financing	-	Repayment of financing	-	-	-	269,483	269,483	Note 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.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE NINE MONTHS ENDED SEPTEMBER 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	$ 8,488,350	$ -	36.69	$ 58,606,246	Y	N	N	Notes 3 and 4
		TKT	Note 2	259,800	50,000	50,000	50,000	-	0.09	58,606,246	Y	N	N	Note 3
1	momo	FGE	Note 2	825,230	66,705	66,705	66,705	-	1.16	5,734,708	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)
SEPTEMBER 30, 2018

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	September 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	1,030,372	3.45	1,030,372	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at FVTOCI	800	27,876	10	27,876	
	Limited Partnerships							
	Grand Academy Investment, L.P.	-	Non-current financial assets at FVTOCI	-	607,548	21.67	607,548	Note 1
	Starview Heights Investment, L.P.	-	Non-current financial assets at FVTOCI	-	285,068	21.67	285,608	Note 1
TCC	Stock							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at FVTOCI	6,998	84,678	5.21	84,678	
	Parawin Venture Capital Corp.	-	Non-current financial assets at FVTOCI	997	1,920	3	1,920	
TFN	Stock							
	Taiwan High Speed Rail Corporation	-	Non-current financial assets at FVTOCI	90,212	2,697,351	1.6	2,697,351	
TCCI	Stock							
	TWM	TWM	Non-current financial assets at FVTOCI	200,497	21,954,395	5.86	21,954,395	
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at FVTOCI	10,000	36,499	6.67	36,499	
TUI	Stock							
	TWM	TWM	Non-current financial assets at FVTOCI	410,665	44,967,849	12	44,967,849	
TID	Stock							
	TWM	TWM	Non-current financial assets at FVTOCI	87,590	9,591,056	2.56	9,591,056	
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	September 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	$ 87,365	-	$ 87,365	
	Stock							
	Media Asia Group Holdings Limited	-	Current financial assets at FVTOCI	43,668	13,161	2.04	13,161	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at FVTOCI	2,400	47,856	7.73	47,856	

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 NINE MONTHS ENDED SEPTEMBER 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.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	$ 350,751	1	Based on contract terms	-	-	$ 20,050	-	Note 1
			Purchase	3,580,160	(Note 2)	Based on contract terms	-	-	(448,779)	(Note 3)	Note 1
	TT&T	Subsidiary	Purchase	784,439	(Note 2)	Based on contract terms	-	-	(86,242)	(Note 3)	
	TKT	Subsidiary	Purchase	255,411	(Note 2)	Based on contract terms			(79,234)	(Note 3)	
	TDS	Subsidiary	Purchase	148,157	(Note 2)	Based on contract terms			(23,789)	(Note 3)	
	Fubon Ins.	Other related party	Sale	277,682	1	Based on contract terms	-	-	66,961	1	
			Purchase	448,502	1	Based on contract terms	-	-	(32,510)	1	
TFN	TWM	Ultimate parent	Sale	3,580,160	49	Based on contract terms	-	-	448,779	49	Note 1
			Purchase	350,751	(Note 2)	Based on contract terms	-	-	(20,050)	(Note 3)	Note 1
	TFNM	Fellow subsidiary	Sale	109,035	1	Based on contract terms			22,828	3	
TT&T	TWM	Ultimate parent	Sale	784,439	90	Based on contract terms	-	-	86,242	90	
TKT	TWM	Ultimate parent	Sale	255,411	92	Based on contract terms	-	-	79,234	100	
TDS	TWM	Ultimate parent	Sale	148,157	93	Based on contract terms	-	-	23,789	96	
TFNM	TFN	Fellow subsidiary	Purchase	111,776	(Note 2)	Based on contract terms	-	-	(22,828)	(Note 3)	
	YJCTV	Subsidiary	Channel leasing fee	319,024	13	Based on contract terms	Note 4	Note 4	-	-	
	PCTV	Subsidiary	Channel leasing fee	372,253	15	Based on contract terms	Note 4	Note 4	-	-	
	UCTV	Subsidiary	Channel leasing fee	168,699	7	Based on contract terms	Note 4	Note 4	-	-	
	GCTV	Subsidiary	Channel leasing fee	142,448	6	Based on contract terms	Note 4	Note 4	-	-	
YJCTV	TFNM	Parent	Royalty for copyright	319,024	50	Based on contract terms	Note 4	Note 4	-	-	
PCTV	TFNM	Parent	Royalty for copyright	372,253	50	Based on contract terms	Note 4	Note 4	-	-	
UCTV	TFNM	Parent	Royalty for copyright	168,699	37	Based on contract terms	Note 4	Note 4	-	-	
GCTV	TFNM	Parent	Royalty for copyright	142,448	48	Based on contract terms	Note 4	Note 4	-	-	
MCTV	Dai-Ka Ltd.	Other related party	Royalty for copyright	118,370	42	Based on contract terms	Note 4	Note 4	(53,267)	88	
momo	TPE	Associate	Purchase	305,591	1	Based on contract terms	-	-	(83,187)	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
SEPTEMBER 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	$ 390,725		$ -	-	$ -	$ -
WMT	TWM	Parent	Other receivables	1,981,479		-	-	-	-
	TFNM	Subsidiary	Other receivables	1,807,593		-	-	236,951	-
	WTVB	Subsidiary	Other receivables	325,494		-	-	-	-
TFN	TWM	Ultimate parent	Accounts receivable	448,779	10.64	-	-	371,133	-
			Other receivables	7,064,142		-	-	26,161	-
YJCTV	TFNM	Parent	Accounts receivable	5,139	7.02	-	-	-	-
			Other receivables	140,573		-	-	-	-
PCTV	TFNM	Parent	Accounts receivable	5,704	6.63	-	-	-	-
			Other receivables	527,476		-	-	-	-
GCTV	TFNM	Parent	Accounts receivable	2,460	6.88	-	-	-	-
			Other receivables	250,846		-	-	-	-

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 NINE MONTHS ENDED SEPTEMBER 30, 2018

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2018			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 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	$ 18,801,576	$ 2,685,998	$ 2,681,767	Note 1
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	19,904,253	1,542,099	1,542,099	
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,759,953	76,313	38,080	
	ADT	Taiwan	Technology development of mobile payment and information processing services	60,000	60,000	6,000	14.4	12,774	(37,688)	(1,677)	
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	56,603,877	2,605,097	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	99,809	38,070	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	253,496	7,096	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	29,995,503	5,729	-	Note 2
	TDC	Taiwan	Mobile phone wholesaling and TV program production	112,000	112,000	11,200	100	115,743	177	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	25,000	2,500	100	104,451	10,058	-	Note 2
	TPIAC	Taiwan	Property insurance agent	5,000	5,000	500	100	18,026	13,084	-	Note 2
	TFC	Taiwan	Type II telecommunications business	5,000	-	500	100	4,105	(895)	-	Note 2
WMT	TFNM	Taiwan	Type II telecommunications business	5,210,443	5,210,443	230,921	100	6,215,835	1,076,896	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	16,901	(342)	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	95,553	1,748	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	325,708	70,571	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,131,798	1,041,153	-	Notes 2 and 4
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	39,456,741	(59)	-	Note 2
	TFN HK Ltd.	Hong Kong	Telecommunications service provider	2,913	2,913	1,300	100	8,202	(234)	-	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	8,421,081	(83)	-	Note 2
TFNM	TKT	Taiwan	Digital music service	129,900	129,900	12,000	100	222,733	18,657	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	1,960,880	(117,232)	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	614,956	38,681	-	Notes 2 and 6
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,336,405	57,013	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	1,971,390	(29,267)	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,244,897	27,594	-	Note 2
	Kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	169,586	(29,619)	-	Note 2
GFMT	UCTV	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	15,156	(29,267)	-	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	94,029	27,594	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2018			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 30, 2018	December 31, 2017	Shares (Thousands)	Percentage of Ownership %	Carrying Value			
momo	Asian Crown (BVI)	British Virgin Islands	Investment	$ 885,285	$ 789,864	9,735	81.99	$ 42,642	$ (12,973)	$ -	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	739,567	(3,367)	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	9,323	251	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	10,600	1,677	-	Note 2
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	45,341	7,049	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	382,731	43,790	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	114,531	114,531	24,150	35	123,998	12,842	-	Note 2
	Bebe Poshe	Taiwan	Wholesale of cosmetics	85,000	-	8,500	85	84,779	(19,554)	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,035,051	11,594	100	47,552	(13,076)	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,035,051	11,594	100	47,552	(13,076)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	739,567	(3,367)	-	Note 2

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

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

Note 3: Held 1 share on September 30, 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)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 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	$ 20,050	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIAC	1	Accounts and notes receivable, net	21,977	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Accounts and notes receivable, net	13,876	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Accounts and notes receivable, net	15,171	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other receivables	31,782	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Other receivables	34,726	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Other non-current assets	18,840	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	1,978,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TCC	1	Short-term borrowings	390,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Accounts and notes payable	67,763	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TKT	1	Accounts and notes payable	79,224	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Accounts and notes payable	17,721	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Accounts and notes payable	21,725	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other payables	425,010	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Other payables	86,242	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other current liabilities	30,148	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Other current liabilities	10,066	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating revenues	350,751	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIAC	1	Operating revenues	32,237	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Operating revenues	49,983	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	TFN	1	Operating costs	$ 3,545,562	The terms of transaction are determined in accordance with mutual agreements or general business practices	4%
		TKT	1	Operating costs	255,284	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Operating costs	148,157	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Operating costs	23,719	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Operating costs	21,991	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Operating expenses	784,439	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TNH	1	Operating expenses	67,062	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating expenses	35,065	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Net other income and expenses	26,003	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Other income	33,747	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Financial costs	54,046	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WMT	1	Financial costs	16,505	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
1	WMT	TFNM	1	Other receivables	1,807,593	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		WTVB	1	Other receivables	325,494	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Other income	14,800	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
2	momo	FST	1	Other receivables	12,988	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	3	Acquisition of property, plant and equipment	20,584	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating costs	48,162	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
3	TFN	TFNM	3	Accounts and notes receivable, net	22,828	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating revenues	109,035	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	3	Operating revenues	48,978	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	3	Operating expenses	82,585	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	
4	TFNM	PCTV	1	Other receivables	$ 37,836	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Other receivables	34,156	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Other receivables	23,931	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Other receivables	16,132	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		MCTV	1	Other receivables	15,262	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	50,346	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Other payable	11,039	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating revenues	403,633	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating revenues	347,207	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating revenues	168,699	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Operating revenues	155,022	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		MCTV	1	Operating revenues	14,737	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating costs	26,040	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating costs	23,511	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating costs	17,051	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Operating costs	11,063	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Operating costs	50,346	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 NINE MONTHS ENDED SEPTEMBER 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 September 30, 2018	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of September 30, 2018	Accumulated Inward Remittance of Earnings as of September 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	$ 39,767 (USD 1,300)	$ -	$ 39,767 (USD 1,300)	$ -	$ -	-	$ -	$ -	$ 9,701 (USD 317)	Note 2
TWMC	Mobile application development and design	91,770 (USD 3,000)	b	149,031 (USD 4,872)	-	-	149,031 (USD 4,872)	886	100	886	105,047	-	
FGE	Wholesaling	344,643 (RMB 77,500)	b	738,398 (USD 14,000) (RMB 69,741)	86,832 (RMB 19,526)	-	825,230 (USD 14,000) (RMB 89,267)	(14,479)	76.7	(10,240)	32,025	-	Note 3
Haobo	Investment	48,917 (RMB 11,000)	b	-	-	-	-	(3,367)	100	(3,367)	739,567	-	
GHS	Wholesaling	222,350 (RMB 50,000)	b	-	-	-	-	5,022	20	(2,349)	711,823	-	

Company	Accumulated Investment in Mainland China as of September 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
TWM and subsidiaries	$1,633,923 (USD18,872, RMB89,267 and HKD168,539)	$1,633,923 (USD18,872, RMB89,267 and HKD168,539)	$38,686,492

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: The extraordinary stockholders' meeting of FGE resolved to increase capital by RMB 20,000 thousand in May 2018, and HK Fubon Multimedia completed the full subscription in August 2018.