

Taiwan Mobile Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2016 and 2015 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheet of Taiwan Mobile Co., Ltd. and subsidiaries (the "Group") as of March 31, 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2016. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our review. The consolidated financial statements of the Group as of March 31, 2015, and for the three months then ended were reviewed by other auditors, whose unqualified review report dated April 30, 2015.

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

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

Deloitte & Touche

April 28, 2016

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, consolidated results of operations, and consolidated cash flows in accordance with accounting principles and practices generally accepted in Taiwan, the Republic of China 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 Republic of China.

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 Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' review report and consolidated financial statements shall prevail.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)		March 31, 2015 (Reviewed)		LIABILITIES AND EQUITY	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)		March 31, 2015 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Notes 6 and 31)	\$ 8,704,003	6	\$ 8,579,422	5	\$ 8,217,370	5	Short-term borrowings (Note 17)	\$ 9,730,763	6	\$ 14,220,938	9	\$ 13,800,000	9
Available-for-sale financial assets (Note 7)	1,240,934	1	1,028,132	1	2,215,954	1	Short-term notes and bills payable (Note 17)	8,494,931	6	10,793,487	7	11,984,492	8
Held-to-maturity financial assets	-	-	-	-	6	-	Accounts and notes payable	6,975,192	5	6,410,405	4	6,989,916	4
Accounts and notes receivable, net (Note 8)	15,619,839	10	15,640,120	10	14,994,000	10	Accounts payable due to related parties (Note 31)	69,661	-	91,486	-	71,906	-
Accounts receivable due from related parties (Note 31)	80,635	-	62,103	-	39,534	-	Other payables (Note 31)	9,934,246	6	11,273,991	7	11,318,540	7
Other receivables (Note 31)	988,328	1	1,178,226	1	927,797	1	Current tax liabilities	2,768,167	2	1,876,908	1	2,152,004	1
Inventories (Note 9)	2,783,390	2	4,188,213	3	3,251,466	2	Provisions (Note 21)	185,724	-	166,217	-	225,476	-
Prepayments (Note 31)	526,106	-	439,628	-	637,187	-	Advance receipts (Note 18)	2,465,281	2	2,288,795	2	2,331,257	2
Other financial assets (Notes 31 and 32)	2,978,010	2	3,003,099	2	2,983,299	2	Long-term liabilities, current portion (Notes 20 and 31)	7,304,336	5	10,267,891	7	5,208,218	3
Other current assets	36,725	-	39,846	-	26,275	-	Other current liabilities	1,906,876	1	1,842,100	1	2,042,793	1
Total current assets	32,957,970	22	34,158,789	22	33,292,888	21	Total current liabilities	49,835,177	33	59,232,218	38	56,124,602	35
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets at fair value through profit or loss	109,971	-	158,322	-	-	-	Bonds payable (Note 19)	14,796,350	10	14,795,938	9	14,794,704	9
Available-for-sale financial assets (Note 7)	3,078,008	2	2,664,478	2	3,193,574	2	Long-term borrowings (Notes 20 and 31)	14,591,581	9	11,682,472	7	10,627,772	7
Financial assets at cost	192,700	-	192,700	-	192,652	-	Provisions (Note 21)	1,247,308	1	1,231,244	1	1,039,973	1
Debt instrument investment without active market	369,008	-	359,062	-	500,000	-	Deferred tax liabilities	1,847,468	1	2,014,310	1	2,805,669	2
Investments accounted for using equity method (Note 10)	1,624,118	1	1,584,362	1	879,875	1	Net defined benefit liabilities	269,156	-	274,636	-	131,127	-
Property, plant and equipment (Note 13)	46,456,383	30	47,247,121	30	47,179,634	30	Guarantee deposits	786,973	1	797,787	1	803,288	1
Investment properties, net (Note 14)	328,900	-	330,165	-	325,607	-	Other non-current liabilities	711,605	-	765,344	1	772,547	-
Concessions (Notes 15 and 32)	39,807,453	26	40,445,341	26	42,304,379	27	Total non-current liabilities	34,250,441	22	31,561,731	20	30,975,080	20
Goodwill (Note 15)	15,845,930	10	15,845,930	10	15,845,930	10	Total liabilities	84,085,618	55	90,793,949	58	87,099,682	55
Other intangible assets, net (Note 15)	6,013,259	4	6,111,153	4	6,140,095	4	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Note 24)						
Deferred tax assets	770,160	1	811,782	1	810,542	1	Common stock	34,208,328	22	34,208,328	22	34,208,328	22
Other financial assets (Notes 31, 32 and 33)	121,657	-	109,366	-	273,057	-	Capital surplus	14,586,376	9	14,586,376	9	14,715,830	9
Other non-current assets (Notes 16 and 31)	6,070,437	4	6,067,102	4	6,291,537	4	Retained earnings						
Total non-current assets	120,787,984	78	121,926,884	78	123,936,882	79	Legal reserve	23,038,209	15	23,038,209	15	21,537,666	14
							Special reserve	302,986	-	302,986	-	-	-
							Unappropriated earnings	22,084,166	14	18,311,104	12	23,618,628	15
							Other equity interests	(742,101)	-	(1,173,954)	(1)	(591,474)	-
							Treasury shares	(29,717,344)	(19)	(29,717,344)	(19)	(29,717,344)	(19)
							Total equity attributable to owners of parent	63,760,620	41	59,555,705	38	63,771,634	41
							NON-CONTROLLING INTERESTS (Note 24)	5,899,716	4	5,736,019	4	6,358,454	4
							Total equity	69,660,336	45	65,291,724	42	70,130,088	45
TOTAL	\$ 153,745,954	100	\$ 156,085,673	100	\$ 157,229,770	100	TOTAL	\$ 153,745,954	100	\$ 156,085,673	100	\$ 157,229,770	100

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

(With Deloitte & Touche review report dated April 28, 2016)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 25 and 31)	\$ 29,198,897	100	\$ 29,717,570	100
OPERATING COSTS (Notes 9, 31 and 36)	<u>19,681,718</u>	<u>67</u>	<u>20,979,696</u>	<u>70</u>
GROSS PROFIT FROM OPERATIONS	<u>9,517,179</u>	<u>33</u>	<u>8,737,874</u>	<u>30</u>
OPERATING EXPENSES (Notes 31 and 36)				
Marketing	3,317,982	11	3,213,664	11
Administrative	<u>1,320,747</u>	<u>5</u>	<u>1,233,740</u>	<u>4</u>
Total operating expenses	<u>4,638,729</u>	<u>16</u>	<u>4,447,404</u>	<u>15</u>
NET OTHER INCOME AND EXPENSES	<u>126,101</u>	<u>-</u>	<u>50,249</u>	<u>-</u>
OPERATING INCOME	<u>5,004,551</u>	<u>17</u>	<u>4,340,719</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 26)	56,837	-	38,831	-
Other gains and losses, net (Note 26)	(130,432)	-	(64,147)	-
Finance costs (Note 26)	(178,241)	(1)	(170,526)	(1)
Share of profit (loss) of associates accounted for using equity method	<u>16,663</u>	<u>-</u>	<u>1,469</u>	<u>-</u>
Total non-operating income and expenses	<u>(235,173)</u>	<u>(1)</u>	<u>(194,373)</u>	<u>(1)</u>
PROFIT BEFORE TAX	4,769,378	16	4,146,346	14
INCOME TAX EXPENSE (Note 27)	<u>827,895</u>	<u>3</u>	<u>211,312</u>	<u>1</u>
PROFIT	<u>3,941,483</u>	<u>13</u>	<u>3,935,034</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation	509	-	(5,353)	-
Unrealized gains (losses) on available-for-sale financial assets	426,332	2	(282,000)	(1)
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>424</u>	<u>-</u>	<u>(17,925)</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>427,265</u>	<u>2</u>	<u>(305,278)</u>	<u>(1)</u>
COMPREHENSIVE INCOME	<u>\$ 4,368,748</u>	<u>15</u>	<u>\$ 3,629,756</u>	<u>12</u>
PROFIT ATTRIBUTABLE TO:				
Owners of parent	\$ 3,773,123	13	\$ 3,812,687	13
Non-controlling interests	<u>168,360</u>	<u>-</u>	<u>122,347</u>	<u>-</u>
	<u>\$ 3,941,483</u>	<u>13</u>	<u>\$ 3,935,034</u>	<u>13</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of parent	\$ 4,204,976	15	\$ 3,524,199	12
Non-controlling interests	<u>163,772</u>	<u>-</u>	<u>105,557</u>	<u>-</u>
	<u>\$ 4,368,748</u>	<u>15</u>	<u>\$ 3,629,756</u>	<u>12</u>
EARNINGS PER SHARE (Note 28)				
Basic earnings per share	<u>\$ 1.39</u>		<u>\$ 1.40</u>	
Diluted earnings per share	<u>\$ 1.38</u>		<u>\$ 1.40</u>	

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

(With Deloitte & Touche review report dated April 28, 2016)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of Parent					Other Equity Interests			Total	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares			
			Legal Reserve	Special Reserve							
BALANCE, JANUARY 1, 2015	\$ 34,208,328	\$ 14,715,830	\$ 21,537,666	\$ -	\$ 19,805,941	\$ 31,294	\$ (334,280)	\$(29,717,344)	\$ 60,247,435	\$ 6,252,897	\$ 66,500,332
Profit for the three months ended March 31, 2015	-	-	-	-	3,812,687	-	-	-	3,812,687	122,347	3,935,034
Other comprehensive income for the three months ended March 31, 2015	-	-	-	-	-	(2,581)	(285,907)	-	(288,488)	(16,790)	(305,278)
Total comprehensive income for the three months ended March 31, 2015	-	-	-	-	3,812,687	(2,581)	(285,907)	-	3,524,199	105,557	3,629,756
BALANCE, MARCH 31, 2015	<u>\$ 34,208,328</u>	<u>\$ 14,715,830</u>	<u>\$ 21,537,666</u>	<u>\$ -</u>	<u>\$ 23,618,628</u>	<u>\$ 28,713</u>	<u>\$ (620,187)</u>	<u>\$(29,717,344)</u>	<u>\$ 63,771,634</u>	<u>\$ 6,358,454</u>	<u>\$ 70,130,088</u>
BALANCE, JANUARY 1, 2016	\$ 34,208,328	\$ 14,586,376	\$ 23,038,209	\$ 302,986	\$ 18,311,104	\$ 22,386	\$ (1,196,340)	\$(29,717,344)	\$ 59,555,705	\$ 5,736,019	\$ 65,291,724
Profit for the three months ended March 31, 2016	-	-	-	-	3,773,123	-	-	-	3,773,123	168,360	3,941,483
Other comprehensive income for the three months ended March 31, 2016	-	-	-	-	-	(51)	431,904	-	431,853	(4,588)	427,265
Total comprehensive income for the three months ended March 31, 2016	-	-	-	-	3,773,123	(51)	431,904	-	4,204,976	163,772	4,368,748
Changes in equity of associates accounted for using equity method	-	-	-	-	(61)	-	-	-	(61)	(75)	(136)
BALANCE, MARCH 31, 2016	<u>\$ 34,208,328</u>	<u>\$ 14,586,376</u>	<u>\$ 23,038,209</u>	<u>\$ 302,986</u>	<u>\$ 22,084,166</u>	<u>\$ 22,335</u>	<u>\$ (764,436)</u>	<u>\$(29,717,344)</u>	<u>\$ 63,760,620</u>	<u>\$ 5,899,716</u>	<u>\$ 69,660,336</u>

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

(With Deloitte & Touche review report dated April 28, 2016)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 4,769,378	\$ 4,146,346
Adjustments		
Depreciation expense	2,620,670	2,622,270
Amortization expense	791,578	631,189
Loss on disposal of property, plant and equipment, net	42,412	36,700
Provision for bad debt expense	89,897	90,872
Finance costs	178,241	170,526
Interest income	(39,832)	(30,057)
Share of profit of associates accounted for using equity method	(16,663)	(1,469)
Valuation loss on financial assets at fair value through profit or loss	45,438	-
Others	10,915	1,980
Changes in operating assets and liabilities		
Accounts and notes receivable	(18,710)	(437,541)
Accounts receivable due from related parties	(18,532)	(4,973)
Other receivables	187,960	72,665
Inventories	1,404,823	(40,478)
Prepayments	(91,086)	(150,948)
Other current assets	3,081	1,987
Other financial assets	1,594	-
Other assets	-	(8,455)
Accounts and notes payable	564,787	(792,360)
Accounts payable due to related parties	(21,825)	(7,486)
Other payables	(663,944)	(1,040,181)
Provisions	25,261	15,013
Advance receipts	176,486	66,497
Other current liabilities	64,776	44,058
Net defined benefit liabilities	(5,480)	(5,655)
Net cash inflows generated by operating activities	10,101,225	5,380,500
Interest received	243	267
Interest paid	(1,684)	(145)
Income taxes paid	(68,490)	(4,152)
Net cash generated from operating activities	<u>10,031,294</u>	<u>5,376,470</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(2,559,358)	(2,962,132)
Acquisition of intangible assets	(123,552)	(3,690,467)
Increase in prepayments for equipment	(62,427)	(69,502)
Proceeds from disposal of property, plant and equipment	1,174	749
Purchase of available-for-sale financial assets	(200,000)	-
Increase in refundable deposits	(51,007)	(57,165)
Decrease in refundable deposits	49,457	40,876
Increase in other financial assets	(470,013)	(16,963)
Decrease in other financial assets	481,223	45,000
Interest received	24,464	29,243
Net cash used in investing activities	<u>(2,910,039)</u>	<u>(6,680,361)</u>

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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 Three Months Ended March 31	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	\$ 13,509,782	\$ 14,800,000
Decrease in short-term borrowings	(18,000,000)	(19,900,000)
Increase in short-term notes and bills payable	4,385,390	17,368,991
Decrease in short-term notes and bills payable	(6,683,950)	(10,979,407)
Proceeds from long-term borrowings	3,050,000	550,000
Repayment of long-term borrowings	(3,105,000)	(105,000)
Increase in guarantee deposits received	38,709	59,281
Decrease in guarantee deposits received	(45,699)	(69,383)
Interest paid	<u>(145,809)</u>	<u>(104,787)</u>
Net cash generated from (used in) financing activities	<u>(6,996,577)</u>	<u>1,619,695</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	<u>(97)</u>	<u>(2,211)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	124,581	313,593
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>8,579,422</u>	<u>7,903,777</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 8,704,003</u>	<u>\$ 8,217,370</u>

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

(With Deloitte & Touche review report dated April 28, 2016)

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

TWM’s received a second-generation (“2G”) mobile telecommunications concession operation license issued by the Directorate General of Telecommunications (“DGT”) of the ROC. The license allows TWM to provide services for 15 years from 1997 onwards. The license was renewed and its expiry date was extended to June 2017 by the National Communications Commission (“NCC”). In March 2005, TWM received a third-generation (“3G”) concession operation license issued by the DGT. The 3G license allows TWM to provide services from the issuance date of the license to December 2018. TWM acquired the Mobile Broadband Spectrum (“4G”) in October 2013. In April 2014, TWM acquired the concession license for the Mobile Broadband Spectrum in the 700 and 1800 MHz frequency band. The 4G license shall be valid from the issuance date of the license until December 2030.

The consolidated financial statements of TWM as of and for the three months ended March 31, 2016, 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 April 28, 2016.

3. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), Interpretations of IFRS (“IFRIC”), and Interpretations of IAS (“SIC”) issued by the International Accounting Standards Board (“IASB”) but not yet endorsed by the Financial Supervisory Commission (“FSC”) (collectively, the “IFRSs”)

The Group has not applied IFRSs issued by the IASB but not yet endorsed by the FSC. On March 10, 2016, the FSC announced the scope of IFRSs to be endorsed and effective from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the companies should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

Except for the following description, the Group's assessment of the new standards and interpretations not yet adopted is disclosed in Note 3 to the consolidated financial statements for the year ended December 31, 2015.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IFRS 15 "Clarifications to IFRS 15"	January 1, 2018

IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes the principles that apply to report revenue arising from a contract with a customer. This standard will replace IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations.

When adopting IFRS 15, the Group recognizes revenue by the following steps:

- 1) Identify the contract with the customer;
- 2) Identify the performance obligations in the contract;
- 3) Determine the transaction price;
- 4) Allocate the transaction price to the performance obligations in the contract; and
- 5) Recognize revenue when the entity satisfies a performance obligation.

IFRS 15 establishes the principles that incremental costs of obtaining a contract will be recognized as an asset to the extent the Group expects to recover those costs. Such asset will be amortized on a basis that is consistent with the transfer to the customer of the goods or services during the contract period to which the asset relates. This will lead to the later recognition of charges for certain customer-obtaining costs.

IFRS 15 and related amendment require that when another party is involved in providing goods or services to a customer, the Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

When IFRS 15 and related amendment are effective, the Group may elect to apply this standard either retrospectively to each period presented or to recognize the accumulated adjustment at the date of initial application.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the following description, the significant accounting policies adopted for the consolidated financial statements are the same as those adopted for the consolidated financial statements for the year ended December 31, 2015.

Statement of Compliance

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

Basis of Consolidation

- a. The basis of preparing the consolidated financial statements is the same as that of the consolidated financial statements for the year ended December 31, 2015.
- b. The subsidiaries included in the consolidated financial statements were as follows:

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			March 31, 2016	December 31, 2015	March 31, 2015	
TWM	Taiwan Cellular Co., Ltd. (TCC)	Investment	100.00	100.00	100.00	-
	Wealth Media Technology Co., Ltd. (WMT)	Investment	100.00	100.00	100.00	-
	Taipei New Horizon Co., Ltd. (TNH)	Building and operating Songshan Cultural and Creative Park BOT project	49.90	49.90	49.90	-
TCC	TCC Investment Co., Ltd. (TCCI)	Investment	100.00	100.00	100.00	Note 1
	Taiwan Fixed Network Co., Ltd. (TFN)	Fixed-line service provider	100.00	100.00	100.00	-
	Taiwan Digital Communications Co., Ltd. (TDC)	Mobile phone wholesaling and TV program production	100.00	100.00	100.00	-
	TWM Holding Co., Ltd. (TWM Holding)	Investment	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	-
	Taiwan Digital Service Co., Ltd. (TDS)	Commissioned maintenance service	100.00	100.00	100.00	-
WMT	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00	100.00	100.00	-
	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00	100.00	100.00	-
	TFN Media Co., Ltd. (TFNM)	Cable broadband and value-added services provider	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	44.38	Note 2
TCCI	TCCI Investment & Development Co., Ltd. (TID)	Investment	100.00	100.00	100.00	Note 1
	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00	100.00	100.00	Note 1
TFN	TFN HK Ltd.	Telecommunication service provider	100.00	100.00	100.00	-
	TWM Communications (Beijing) Co., Ltd. (TWMC)	Mobile application development and design	100.00	100.00	100.00	-
TWMC	TT&T Holdings Co., Ltd. (TT&T Holdings)	Investment	100.00	100.00	100.00	-
GWMT	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV service provider	6.83	6.83	6.83	-
GFMT	Union Cable TV Co., Ltd. (UCTV)	Cable TV service provider	0.76	0.76	0.76	-
TFNM	UCTV	Cable TV service provider	99.22	99.22	99.22	-
	Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Cable TV service provider	100.00	100.00	100.00	-
	Mangrove Cable TV Co., Ltd. (MCTV)	Cable TV service provider	29.53	29.53	29.53	Note 3
	Phoenix Cable TV Co., Ltd. (PCTV)	Cable TV service provider	100.00	100.00	100.00	-
	GCTV	Cable TV service provider	92.38	92.38	92.38	-
	Taiwan Kuro Times Co., Ltd. (TKT)	Online music service	100.00	100.00	100.00	-

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			March 31, 2016	December 31, 2015	March 31, 2015	
momo	Fu Sheng Travel Service Co., Ltd (FST)	Travel agent	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	-
	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	76.26	76.26	76.26	-
	Honest Development Co., Ltd. (Honest Development)	Investment	100.00	100.00	-	Note 4
Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	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 Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	91.30	91.30	91.30	-
Honest Development	Hongkong Yue Numerous Investment Co., Ltd. (HK Yue Numerous)	Investment	100.00	100.00	-	Note 4
HK Yue Numerous	Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo)	Investment	100.00	100.00	-	Note 4

(Concluded)

Note 1: TCCI, TID and TUI collectively owned 698,752 thousand shares of TWM representing 20.42% of total outstanding shares as of March 31, 2016.

Note 2: WMT increased the percentage of ownership interests in momo due to momo's buy-back of treasury shares from October to December in 2015.

Note 3: The other 70.47% of shares were held under trustee accounts.

Note 4: In June 2015, momo established Honest Development to purchase HK Yue Numerous and its subsidiary, Haobo, through portfolio investment, and indirectly acquired the associate Beijing Global Guoguang Media Technology Co., Ltd., through Haobo.

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

Employee Benefits

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

Income Tax

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2015.

6. CASH AND CASH EQUIVALENTS

	March 31, 2016	December 31, 2015	March 31, 2015
Government bonds with repurchase rights and short-term notes and bills	\$ 3,243,330	\$ 2,975,188	\$ 3,971,854
Time deposits	2,342,861	2,630,693	2,532,559
Cash in banks	3,034,390	2,893,599	1,620,438
Cash on hand and revolving funds	<u>83,422</u>	<u>79,942</u>	<u>92,519</u>
	<u>\$ 8,704,003</u>	<u>\$ 8,579,422</u>	<u>\$ 8,217,370</u>

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31, 2016	December 31, 2015	March 31, 2015
Domestic listed stock	\$ 1,876,218	\$ 215,395	\$ 216,265
Domestic emerging stock	1,439,790	937,307	1,073,527
Domestic unlisted stock	-	1,727,171	2,120,047
Beneficiary certificates	939,338	734,991	1,999,689
Foreign unlisted stock	<u>63,596</u>	<u>77,746</u>	<u>-</u>
	<u>\$ 4,318,942</u>	<u>\$ 3,692,610</u>	<u>\$ 5,409,528</u>
Current	\$ 1,240,934	\$ 1,028,132	\$ 2,215,954
Non-current	<u>3,078,008</u>	<u>2,664,478</u>	<u>3,193,574</u>
	<u>\$ 4,318,942</u>	<u>\$ 3,692,610</u>	<u>\$ 5,409,528</u>

8. ACCOUNTS AND NOTES RECEIVABLE, NET

	March 31, 2016	December 31, 2015	March 31, 2015
Notes receivable	\$ <u>86,625</u>	\$ <u>308,939</u>	\$ <u>71,722</u>
Accounts receivable	15,842,248	15,648,559	15,196,539
Less: Allowance for doubtful accounts	<u>(309,034)</u>	<u>(317,378)</u>	<u>(274,261)</u>
Accounts receivable, net	<u>15,533,214</u>	<u>15,331,181</u>	<u>14,922,278</u>
	<u>\$ 15,619,839</u>	<u>\$ 15,640,120</u>	<u>\$ 14,994,000</u>

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

	March 31, 2016	December 31, 2015	March 31, 2015
Neither past due nor impaired	\$ 15,246,895	\$ 15,022,116	\$ 14,571,604
Past due but not impaired			
Past due within 180 days	278,726	304,574	350,422
Past due over 180 days	<u>7,593</u>	<u>4,491</u>	<u>252</u>
	<u>\$ 15,533,214</u>	<u>\$ 15,331,181</u>	<u>\$ 14,922,278</u>

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

	For the Three Months Ended March 31	
	2016	2015
Beginning balance	\$ 317,378	\$ 277,815
Add: Provision	68,462	99,265
Recovery	16,653	16,421
Less: Write-off	<u>(93,459)</u>	<u>(119,240)</u>
Ending balance	<u>\$ 309,034</u>	<u>\$ 274,261</u>

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

Counterparty	Amount of Accounts Receivable Sold	Proceeds of the Sale of Accounts Receivable
<u>February 2016</u>		
Long Sun Asset Management Co., Ltd.	<u>\$ 845,385</u>	<u>\$ 46,644</u>
<u>January 2015</u>		
Long Sun Asset Management Co., Ltd.	<u>\$ 626,514</u>	<u>\$ 31,025</u>

9. INVENTORIES

	March 31, 2016	December 31, 2015	March 31, 2015
Merchandise	\$ 2,743,367	\$ 4,122,447	\$ 3,179,097
Materials for maintenance	37,950	63,652	70,634
Catering inventories	<u>2,073</u>	<u>2,114</u>	<u>1,735</u>
	<u>\$ 2,783,390</u>	<u>\$ 4,188,213</u>	<u>\$ 3,251,466</u>

For the three months ended March 31, 2016 and 2015, the cost of goods sold recognized in consolidated comprehensive income amounted to \$11,409,629 thousand and \$12,658,965 thousand, respectively, which included the inventory recovery based on net realizable value amounting to \$4,587 thousand and \$37,508 thousand, respectively.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

Investee Company	March 31, 2016		December 31, 2015		March 31, 2015	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
Beijing Global Guoguang Media Technology Co., Ltd. (GHS)	\$ 751,671	20.00	\$ 713,691	18.00	\$ -	-
Taiwan Pelican Express Co., Ltd. (TPE)	417,982	17.70	415,597	17.70	442,078	17.70
Kbro Media Co., Ltd. (Kbro Media)	271,030	32.50	277,574	32.50	266,314	32.50
TVD Shopping Co., Ltd. (TVD Shopping)	169,753	35.00	161,491	35.00	150,728	35.00
Alliance Digital Tech Co., Ltd. (ADT)	<u>13,682</u>	13.33	<u>16,009</u>	13.33	<u>20,755</u>	13.33
	<u>\$ 1,624,118</u>		<u>\$ 1,584,362</u>		<u>\$ 879,875</u>	

a. GHS

In June 2015, momo's subsidiary acquired 20% equity interests of GHS for \$670,448 thousand and obtained the purchase price allocation report in December 2015. The excess of the purchase price over the fair value of the acquired net assets includes \$657,332 thousand and \$79,617 thousand, respectively, for goodwill and customer relationship, whereas customer relationship is amortized over a period of nine and a half years.

Due to non-participation in GHS's capital increase in October 2015, momo's subsidiary's percentage of ownership interests in GHS decreased to 18%. However, momo still has significant influence on GHS due to its having seats in GHS's board of directors.

In January 2016, momo's subsidiary's percentage of ownership interests in GHS increased to 20% due to acquisition of additional 2% equity interests of GHS. As of March 31, 2016, payments for the additional investments were not yet settled.

b. TPE

In August 2012, momo, a subsidiary of TWM, acquired 20% of TPE.

As of December 2013, momo held 17.70% of TPE due to not subscribing for new shares issued by TPE and selling part of its shares when TPE went public. momo still has significant influence on TPE due to its having two seats on TPE's board of directors.

c. TVD Shopping

In April 2014, momo acquired 35% of TVD Shopping.

d. ADT

In November 2013, TWM acquired 19.23% of ADT.

In 2014, TWM's percentage of ownership interests in ADT decreased to 13.33% due to its not subscribing for new shares issued by ADT. TWM still has significant influence on ADT due to having one seat on ADT's board of directors.

11. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Subsidiary	Proportion of Non-controlling Interests' Ownership and Voting Rights		
	March 31, 2016	December 31, 2015	March 31, 2015
momo	54.99%	54.99%	55.62%

For information on the principal place of business and the company's country of registration, see Table 6.

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

	March 31, 2016	December 31, 2015	March 31, 2015
Current assets	\$ 5,955,026	\$ 5,940,774	\$ 6,853,572
Non-current assets	11,267,835	11,140,732	10,680,843
Current liabilities	(3,501,926)	(3,683,020)	(3,187,500)
Non-current liabilities	<u>(262,569)</u>	<u>(267,878)</u>	<u>(249,125)</u>
Equity	<u>\$ 13,458,366</u>	<u>\$ 13,130,608</u>	<u>\$ 14,097,790</u>
Equity attributable to:			
Owners of parent	\$ 9,240,779	\$ 9,090,251	\$ 9,461,310
Non-controlling interests of momo	4,209,441	4,025,330	4,570,151
Non-controlling interests of momo's subsidiaries	<u>8,146</u>	<u>15,027</u>	<u>66,329</u>
	<u>\$ 13,458,366</u>	<u>\$ 13,130,608</u>	<u>\$ 14,097,790</u>

	For the Three Months Ended March 31	
	2016	2015
Operating revenues	<u>\$ 7,006,276</u>	<u>\$ 6,259,652</u>
Profit	\$ 336,320	\$ 257,526
Other comprehensive loss	<u>(8,426)</u>	<u>(29,452)</u>
Comprehensive income	<u>\$ 327,894</u>	<u>\$ 228,074</u>
Profit attributable to:		
Owners of parent	\$ 154,427	\$ 121,558
Non-controlling interests of momo	188,874	152,588
Non-controlling interests of momo's subsidiaries	<u>(6,981)</u>	<u>(16,620)</u>
	<u>\$ 336,320</u>	<u>\$ 257,526</u>

(Continued)

	For the Three Months Ended March 31	
	2016	2015
Comprehensive income attributable to:		
Owners of parent	\$ 150,589	\$ 108,897
Non-controlling interests of momo	184,186	136,719
Non-controlling interests of momo's subsidiaries	<u>(6,881)</u>	<u>(17,542)</u>
	<u>\$ 327,894</u>	<u>\$ 228,074</u>
Net cash from operating activities	\$ 165,062	\$ 82,731
Net cash from investing activities	(276,133)	35,903
Net cash from financing activities	2,595	(547)
Effect of exchange rate changes	<u>249</u>	<u>(971)</u>
Net increase (decrease) in cash	<u>\$ (108,227)</u>	<u>\$ 117,116</u> (Concluded)

12. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

WMT increased the percentage of ownership interests in momo from 44.38% to 45.01% due to momo's buy-back of treasury shares from October to December in 2015. The transaction was as follows:

Consideration paid in cash	\$ (397,175)
Transferring amount of non-controlling interests resulted from the calculation of relative equity changes	255,874
Other adjustments	<u>644</u>
Capital surplus - changes in equity of subsidiaries	<u>\$ (140,657)</u>

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Telecommuni- cation Equipment and Machinery	Miscellaneous Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>						
Balance, January 1, 2016	\$ 10,306,780	\$ 4,905,637	\$ 86,948,140	\$ 7,433,581	\$ 2,821,435	\$ 112,415,573
Additions	-	-	26,954	136,681	1,715,551	1,879,186
Reclassification	311	255	1,803,847	95,044	(1,905,936)	(6,479)
Disposals and retirements	-	-	(355,403)	(45,879)	(1,709)	(402,991)
Effect of exchange rate changes	<u>-</u>	<u>-</u>	<u>126</u>	<u>6</u>	<u>-</u>	<u>132</u>
Balance, March 31, 2016	<u>\$ 10,307,091</u>	<u>\$ 4,905,892</u>	<u>\$ 88,423,664</u>	<u>\$ 7,619,433</u>	<u>\$ 2,629,341</u>	<u>\$ 113,885,421</u> (Continued)

	Land	Buildings	Telecommuni- cation Equipment and Machinery	Miscellaneous Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2016	\$ 83,426	\$ 1,529,090	\$ 58,103,733	\$ 5,452,203	\$ -	\$ 65,168,452
Depreciation	-	35,600	2,343,105	241,190	-	2,619,895
Reclassification	-	76	-	(6)	-	70
Disposals and retirements	-	-	(315,170)	(44,235)	-	(359,405)
Effect of exchange rate changes	-	-	26	-	-	26
Balance, March 31, 2016	<u>\$ 83,426</u>	<u>\$ 1,564,766</u>	<u>\$ 60,131,694</u>	<u>\$ 5,649,152</u>	<u>\$ -</u>	<u>\$ 67,429,038</u>
Carrying amount, January 1, 2016	<u>\$ 10,223,354</u>	<u>\$ 3,376,547</u>	<u>\$ 28,844,407</u>	<u>\$ 1,981,378</u>	<u>\$ 2,821,435</u>	<u>\$ 47,247,121</u>
Carrying amount, March 31, 2016	<u>\$ 10,223,665</u>	<u>\$ 3,341,126</u>	<u>\$ 28,291,970</u>	<u>\$ 1,970,281</u>	<u>\$ 2,629,341</u>	<u>\$ 46,456,383</u>
<u>Cost</u>						
Balance, January 1, 2015	\$ 10,366,685	\$ 4,947,700	\$ 78,863,132	\$ 6,979,293	\$ 3,985,597	\$ 105,142,407
Additions	-	-	176,246	112,425	2,460,681	2,749,352
Reclassification	23,437	8,511	2,631,434	101,476	(2,736,277)	28,581
Disposals and retirements	-	-	(181,753)	(27,754)	(454)	(209,961)
Effect of exchange rate changes	-	-	(2,340)	(980)	-	(3,320)
Balance, March 31, 2015	<u>\$ 10,390,122</u>	<u>\$ 4,956,211</u>	<u>\$ 81,486,719</u>	<u>\$ 7,164,460</u>	<u>\$ 3,709,547</u>	<u>\$ 107,707,059</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2015	\$ 83,426	\$ 1,398,811	\$ 51,830,986	\$ 4,762,865	\$ -	\$ 58,076,088
Depreciation	-	35,985	2,327,296	258,235	-	2,621,516
Reclassification	-	4,102	-	-	-	4,102
Disposals and retirements	-	-	(144,956)	(27,556)	-	(172,512)
Effect of exchange rate changes	-	-	(1,154)	(615)	-	(1,769)
Balance, March 31, 2015	<u>\$ 83,426</u>	<u>\$ 1,438,898</u>	<u>\$ 54,012,172</u>	<u>\$ 4,992,929</u>	<u>\$ -</u>	<u>\$ 60,527,425</u>
Carrying amount, March 31, 2015	<u>\$ 10,306,696</u>	<u>\$ 3,517,313</u>	<u>\$ 27,474,547</u>	<u>\$ 2,171,531</u>	<u>\$ 3,709,547</u>	<u>\$ 47,179,634</u> (Concluded)

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

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

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

	For the Three Months Ended March 31	
	2016	2015
Acquisition of property, plant and equipment	\$ 1,879,186	\$ 2,749,352
Non-cash investing activities		
Changes in other payables	687,428	228,403
Changes in provisions	<u>(7,256)</u>	<u>(15,623)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 2,559,358</u>	<u>\$ 2,962,132</u>

14. INVESTMENT PROPERTIES

	March 31, 2016	December 31, 2015	March 31, 2015
Cost	\$ 373,456	\$ 374,022	\$ 367,424
Accumulated depreciation	<u>44,556</u>	<u>43,857</u>	<u>41,817</u>
Carrying amount	<u>\$ 328,900</u>	<u>\$ 330,165</u>	<u>\$ 325,607</u>
Fair value	<u>\$ 837,128</u>	<u>\$ 834,950</u>	<u>\$ 854,632</u>
Capitalization rate	0.8%-4.42%	0.8%-5.34%	0.76%-4.20%

Properties were reclassified from property, plant and equipment to investment property since the properties were no longer used by the Group and it was decided to put such properties for lease.

Fair value of an investment property was measured by Level 3 inputs, using the income approach, comparative approach, and cost approach by HomeBan Appraisers Joint Firm.

15. INTANGIBLE ASSETS

The cost, amortization, and impairment of intangible assets of the Group for the three months ended March 31, 2016 and 2015, were as follows:

	Concessions			Other Intangible Assets					Total
	Concession License	Service Concession	Goodwill	Computer Software	Customer Relationship	Operating Rights	Trademarks	Others	
Cost									
Balance, January 1, 2016	\$ 42,724,375	\$ 8,180,697	\$ 15,845,930	\$ 2,948,499	\$ 2,654,089	\$ 1,382,000	\$ 2,517,866	\$ -	\$ 76,253,456
Addition	-	-	-	38,278	-	-	-	-	38,278
Disposals and retirements	-	-	-	(3,718)	-	-	-	-	(3,718)
Adjustment and reclassification	-	(619)	-	18,132	-	-	-	-	17,513
Effect of exchange rate changes	-	-	-	14	-	-	-	-	14
Balance, March 31, 2016	<u>\$ 42,724,375</u>	<u>\$ 8,180,078</u>	<u>\$ 15,845,930</u>	<u>\$ 3,001,205</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,866</u>	<u>\$ -</u>	<u>\$ 76,305,543</u>
Accumulated amortization and impairment									
Balance, January 1, 2016	\$ 9,964,550	\$ 495,181	\$ -	\$ 2,288,861	\$ 1,101,463	\$ -	\$ 977	\$ -	\$ 13,851,032
Amortization	592,622	44,647	-	120,160	34,100	-	49	-	791,578
Disposals and retirements	-	-	-	(3,718)	-	-	-	-	(3,718)
Reclassification	-	-	-	6	-	-	-	-	6
Effect of exchange rate changes	-	-	-	3	-	-	-	-	3
Balance, March 31, 2016	<u>\$ 10,557,172</u>	<u>\$ 539,828</u>	<u>\$ -</u>	<u>\$ 2,405,312</u>	<u>\$ 1,135,563</u>	<u>\$ -</u>	<u>\$ 1,026</u>	<u>\$ -</u>	<u>\$ 14,638,901</u>
Carrying amount, January 1, 2016	<u>\$ 32,759,825</u>	<u>\$ 7,685,516</u>	<u>\$ 15,845,930</u>	<u>\$ 659,638</u>	<u>\$ 1,552,626</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,889</u>	<u>\$ -</u>	<u>\$ 62,402,424</u>
Carrying amount, March 31, 2016	<u>\$ 32,167,203</u>	<u>\$ 7,640,250</u>	<u>\$ 15,845,930</u>	<u>\$ 895,893</u>	<u>\$ 1,518,526</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,840</u>	<u>\$ -</u>	<u>\$ 61,666,642</u>

(Continued)

	Concessions			Other Intangible Assets					Total
	Concession License	Service Concession	Goodwill	Computer Software	Customer Relationship	Operating Rights	Trademarks	Others	
<u>Cost</u>									
Balance, January 1, 2015	\$ 39,291,000	\$ 7,914,775	\$ 15,845,930	\$ 2,484,186	\$ 2,849,197	\$ 1,382,000	\$ 2,517,866	\$ 5,217	\$ 72,290,171
Addition	3,433,375	324,436	-	26,847	-	-	-	-	3,784,658
Disposals and retirements	-	-	-	(44)	(195,108)	-	-	-	(195,152)
Adjustment and reclassification	-	(68,204)	-	36,424	-	-	-	-	(31,780)
Effect of exchange rate changes	-	-	-	(295)	-	-	-	(39)	(334)
Balance, March 31, 2015	<u>\$ 42,724,375</u>	<u>\$ 8,171,007</u>	<u>\$ 15,845,930</u>	<u>\$ 2,547,118</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,866</u>	<u>\$ 5,178</u>	<u>\$ 75,847,563</u>
<u>Accumulated amortization and impairment</u>									
Balance, January 1, 2015	\$ 7,785,003	\$ 317,480	\$ -	\$ 1,852,678	\$ 1,160,171	\$ -	\$ 778	\$ 5,217	\$ 11,121,327
Amortization	445,553	42,967	-	108,519	34,100	-	50	-	631,189
Disposals and retirements	-	-	-	(44)	(195,108)	-	-	-	(195,152)
Effect of exchange rate changes	-	-	-	(166)	-	-	-	(39)	(205)
Balance, March 31, 2015	<u>\$ 8,230,556</u>	<u>\$ 360,447</u>	<u>\$ -</u>	<u>\$ 1,960,987</u>	<u>\$ 999,163</u>	<u>\$ -</u>	<u>\$ 828</u>	<u>\$ 5,178</u>	<u>\$ 11,557,159</u>
Carrying amount, March 31, 2015	<u>\$ 34,493,819</u>	<u>\$ 7,810,560</u>	<u>\$ 15,845,930</u>	<u>\$ 586,131</u>	<u>\$ 1,654,926</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,038</u>	<u>\$ -</u>	<u>\$ 64,290,404</u>

(Concluded)

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

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

a. Service concession

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

b. Customer relationship, trademarks, and operating rights

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

- 1) On April 17, 2007, TFN, one of TWM's wholly-owned subsidiaries, acquired more than 50% of the former Taiwan Fixed Network Co., Ltd. (the former TFN) through a public tender offer. TWM divided the former TFN and its subsidiaries into two cash-generating units, i.e.: Fixed network service and cable television business. Accordingly, customer relationship and operating rights are identified as major intangible assets.
- 2) On September 1, 2010, TFNM, one of TWM's wholly-owned subsidiaries, acquired 55% of TKT. On August 12, 2011, TFNM acquired 45% of TKT. TWM measured the fair value of the acquired net assets and viewed TKT's wireless services as one cash-generating unit. Accordingly, trademarks and customer relationship are identified as major intangible assets.
- 3) On July 13, 2011, WMT, one of TWM's wholly-owned subsidiaries, acquired more than 50% of momo. TWM measured the fair value of the acquired assets and viewed momo's retail business as one cash-generating unit. Accordingly, trademarks are identified as major intangible assets.

c. Goodwill

The carrying amounts of goodwill allocated to the above units were as follows:

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

d. Impairment of assets

See Note 17 (d) to the consolidated financial statements for the year ended December 31, 2015 for the related information on impairment of assets. There was no significant evidence indicating impairment of intangible assets as of March 31, 2016.

16. OTHER NON-CURRENT ASSETS

	March 31, 2016	December 31, 2015	March 31, 2015
Long-term accounts receivable	\$ 4,861,634	\$ 4,912,506	\$ 5,058,736
Refundable deposits	582,756	581,237	595,336
Prepayments for equipment	116,924	68,843	113,775
Others	<u>509,123</u>	<u>504,516</u>	<u>523,690</u>
	<u>\$ 6,070,437</u>	<u>\$ 6,067,102</u>	<u>\$ 6,291,537</u>

17. SHORT-TERM BORROWINGS AND SHORT-TERM NOTES AND BILLS PAYABLE

a. Short-term borrowings

	March 31, 2016	December 31, 2015	March 31, 2015
Unsecured loans	<u>\$ 9,730,763</u>	<u>\$ 14,220,938</u>	<u>\$ 13,800,000</u>
Annual interest rate	0.78%-4.57%	0.82%-4.57%	0.83%-1.15%

b. Short-term notes and bills payable

	March 31, 2016	December 31, 2015	March 31, 2015
Short-term notes and bills payable	\$ 8,500,000	\$ 10,800,000	\$ 12,000,000
Less: Discount on short-term notes and bills payable	<u>(5,069)</u>	<u>(6,513)</u>	<u>(15,508)</u>
	<u>\$ 8,494,931</u>	<u>\$ 10,793,487</u>	<u>\$ 11,984,492</u>
Annual interest rate	0.567%-0.87%	0.642%-0.95%	0.778%-1%

For the information on endorsements and guarantees, see Note 33.

18. ADVANCE RECEIPTS

	March 31, 2016	December 31, 2015	March 31, 2015
Advance receipts from customers	\$ 2,230,601	\$ 2,102,973	\$ 2,128,877
Deferred customer loyalty revenues	62,471	63,708	63,170
Others	<u>172,209</u>	<u>122,114</u>	<u>139,210</u>
	<u>\$ 2,465,281</u>	<u>\$ 2,288,795</u>	<u>\$ 2,331,257</u>

19. BONDS PAYABLE

	March 31, 2016	December 31, 2015	March 31, 2015
3rd domestic unsecured bonds	\$ 8,997,636	\$ 8,997,447	\$ 8,996,880
4th domestic unsecured bonds	<u>5,798,714</u>	<u>5,798,491</u>	<u>5,797,824</u>
	<u>\$ 14,796,350</u>	<u>\$ 14,795,938</u>	<u>\$ 14,794,704</u>

a. 3rd domestic unsecured bonds

On December 20, 2012, TWM authorized Hua Nan Commercial Bank as a trustee to issue \$9,000,000 thousand of seven-year 3rd domestic unsecured bonds, each having a face value of \$10,000 thousand and a coupon rate of 1.34% per annum, with simple interest due annually. Repayment will be made in the sixth and seventh years with equal installments, i.e., \$4,500,000 thousand. As of March 31, 2016, the amount of unamortized bond issue cost was \$2,364 thousand.

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

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

b. 4th domestic unsecured bonds

On April 25, 2013, TWM authorized Hua Nan Commercial Bank as a trustee to issue \$5,800,000 thousand of five-year 4th domestic unsecured bonds, each having a face value of \$10,000 thousand and a coupon rate of 1.29% per annum, with simple interest due annually. Repayment will be made in the fourth and fifth years with equal installments, i.e., \$2,900,000 thousand. As of March 31, 2016, the amount of unamortized bond issue cost was \$1,286 thousand.

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

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

20. LONG-TERM BORROWINGS

	March 31, 2016	December 31, 2015	March 31, 2015
Unsecured loans	\$ 18,820,000	\$ 18,770,000	\$ 12,550,000
Secured loans	3,075,917	3,180,363	3,285,990
Less: Current portion	<u>(7,304,336)</u>	<u>(10,267,891)</u>	<u>(5,208,218)</u>
	<u>\$ 14,591,581</u>	<u>\$ 11,682,472</u>	<u>\$ 10,627,772</u>
Annual interest rate:			
Unsecured loans	0.83%-2.0666%	1.07%-2.1406%	1.05%-2.15%
Secured loans	2.3684%	2.1789%	2.2526%

a. Unsecured loans

The Group entered into credit facility agreements with a group of banks for mid-term requirements of operating capital. The facilities last from 2 to 7 years from the date of drawing and from the date of contracting, respectively, and the interests are paid periodically. Under some agreements, loans are treated revolving credit facilities, and the maturity dates of loans are based on terms under the agreements. Besides, some credit facilities are subject to covenants regarding debt ratio and interest protection multiples during the facility period.

b. Secured loans

On January 22, 2010, TNH entered into a syndicated loan agreement, with respect to the investment under the aforementioned BOT contract, with a group of banks for which credit facility is managed by Bank of Taiwan. The aggregate credit and guarantee amount were up to \$3,565,000 thousand for 7 years, including the grace period of 4 years, with interest payments on a monthly basis. In addition, TNH signed the supplementary agreement on December 29, 2015 to extend the credit period to 10 years starting from the date the initial drawdown was made. In accordance with the loan agreement, the regular financial covenants, e.g. current ratio, equity ratio, and interest protection multiples, must be complied with during the credit facility period. For property under the BOT contract and its superfluities that have been pledged as collateral, see Note 32.

21. PROVISIONS

	March 31, 2016	December 31, 2015	March 31, 2015
Restoration	\$ 1,164,553	\$ 1,160,809	\$ 1,120,934
Decommissioning	123,388	110,876	75,154
Warranties	<u>145,091</u>	<u>125,776</u>	<u>69,361</u>
	<u>\$ 1,433,032</u>	<u>\$ 1,397,461</u>	<u>\$ 1,265,449</u>
Current	\$ 185,724	\$ 166,217	\$ 225,476
Non-current	<u>1,247,308</u>	<u>1,231,244</u>	<u>1,039,973</u>
	<u>\$ 1,433,032</u>	<u>\$ 1,397,461</u>	<u>\$ 1,265,449</u>

	Restoration	Decom- missioning	Warranties	Total
Balance, January 1, 2016	\$ 1,160,809	\$ 110,876	\$ 125,776	\$ 1,397,461
Provision	17,407	11,628	60,418	89,453
Reversal	(5,851)	-	(11,797)	(17,648)
Unwinding of discount	2,170	884	-	3,054
Payment	<u>(9,982)</u>	<u>-</u>	<u>(29,306)</u>	<u>(39,288)</u>
Balance, March 31, 2016	<u>\$ 1,164,553</u>	<u>\$ 123,388</u>	<u>\$ 145,091</u>	<u>\$ 1,433,032</u>
Balance, January 1, 2015	\$ 1,105,662	\$ 63,246	\$ 62,524	\$ 1,231,432
Provision	19,317	11,333	31,368	62,018
Reversal	(3,318)	-	(8,725)	(12,043)
Unwinding of discount	2,806	575	-	3,381
Payment	<u>(3,533)</u>	<u>-</u>	<u>(15,806)</u>	<u>(19,339)</u>
Balance, March 31, 2015	<u>\$ 1,120,934</u>	<u>\$ 75,154</u>	<u>\$ 69,361</u>	<u>\$ 1,265,449</u>

22. OPERATING LEASE

a. Lessee

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

	March 31, 2016	December 31, 2015	March 31, 2015
Less than one year	\$ 3,196,539	\$ 3,204,706	\$ 3,027,911
Between one and five years	4,634,444	4,815,646	4,769,965
More than five years	<u>89,080</u>	<u>104,120</u>	<u>99,145</u>
	<u>\$ 7,920,063</u>	<u>\$ 8,124,472</u>	<u>\$ 7,897,021</u>

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

The payments of leases and subleases were as follows:

	For the Three Months Ended March 31	
	2016	2015
Minimum lease payment	\$ 910,512	\$ 881,285
Sublease payment	<u>(572)</u>	<u>(145)</u>
	<u>\$ 909,940</u>	<u>\$ 881,140</u>

b. Lessor

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

	March 31, 2016	December 31, 2015	March 31, 2015
Less than one year	\$ 19,934	\$ 19,926	\$ 13,137
Between one and five years	<u>18,640</u>	<u>22,659</u>	<u>11,783</u>
	<u>\$ 38,574</u>	<u>\$ 42,585</u>	<u>\$ 24,920</u>

23. RETIREMENT BENEFIT PLANS

a. Defined benefit plan

The Group recognized pension expense of \$1,534 thousand and \$1,197 thousand for the three months ended March 31, 2016 and 2015, respectively, by using the actuarially determined pension cost rate.

b. Defined contribution plans

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

The Group's contribution to the pension plan amounted to \$70,223 thousand and \$64,241 thousand for the three months ended March 31, 2016 and 2015, respectively.

24. EQUITY

a. Common stock

As of March 31, 2016, December 31, 2015 and March 31, 2015, TWM had authorized 6,000,000 thousand common shares, with 3,420,833 thousand shares issued and outstanding at par value \$10 per share.

b. Capital surplus

	March 31, 2016	December 31, 2015	March 31, 2015
Additional paid-in capital from convertible corporate bonds	\$ 8,775,820	\$ 8,775,820	\$ 8,775,820
Treasury share transactions	5,159,704	5,159,704	5,159,704
Difference between consideration and carrying amount arising from the disposal of subsidiaries' shares	85,965	85,965	85,965
Changes in equity of subsidiaries	511,562	511,562	652,219
Changes in equity of associates accounted for using equity method	37,907	37,907	26,705
Others	<u>15,418</u>	<u>15,418</u>	<u>15,417</u>
	<u>\$ 14,586,376</u>	<u>\$ 14,586,376</u>	<u>\$ 14,715,830</u>

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

c. Appropriation of earnings and dividend policy

TWM's Articles of Incorporation provide that, in the event that TWM, according to the financial report, earns profits in a fiscal year, such profits shall first be applied to pay the applicable taxes, recover losses, set aside legal reserve pursuant to laws and regulations, and set aside or reverse a special reserve in accordance with the law or to satisfy the business needs of TWM. Any balance left over shall be appropriated as follows:

- 1) Remuneration to directors, not exceeding 0.3%;
- 2) Employee bonuses in the sum of 1% to 3%;
- 3) The remaining balance and any unappropriated earnings of the previous fiscal years shall be distributed to the shareholders as dividends in accordance with resolutions of the shareholders' meetings.

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

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

In accordance with the ROC Company Act amended in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to TWM's Articles of Incorporation had been proposed by the Board of Directors on October 29, 2015 and are subject to the resolution of the AGM to be held on June 15, 2016. For information about the accrual basis of the employee remuneration or employee bonuses and remuneration to directors and the actual appropriations, see Note 36.

According to the ROC Company Act, a company shall first set aside 10% of its income after taxes as legal reserve until it equals the paid-in capital. After offsetting any deficit, the legal reserve may be transferred to capital and distributed as stock dividends or distributed as cash dividends for the amount in excess of 25% of the paid-in capital pursuant to a resolution adopted by the shareholders' meeting.

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

The 2015 and 2014 earnings appropriations proposed by the Board of Directors on April 28, 2016, and resolved by the AGM on June 10, 2015, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share	
	For Fiscal Year 2015	For Fiscal Year 2014	(NT\$)	
			For Fiscal Year 2015	For Fiscal Year 2014
Appropriation of legal reserve	\$ 1,568,619	\$ 1,500,543		
Appropriation of special reserve	870,968	302,986		
Cash dividends to shareholders	<u>15,243,655</u>	<u>15,243,655</u>	\$ 5.6	\$ 5.6
	<u>\$ 17,683,242</u>	<u>\$ 17,047,184</u>		

TWM's 2015 earnings appropriation is awaiting approval at the AGM on June 15, 2016. Information on earnings appropriations is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity interests

	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total
Balance, January 1, 2016	\$ 22,386	\$ (1,196,340)	\$ (1,173,954)
Exchange differences on translation	(5)	-	(5)
Changes in fair value of available-for-sale financial assets	-	431,722	431,722
Changes in other comprehensive income (loss) of associates accounted for using equity method	<u>(46)</u>	<u>182</u>	<u>136</u>
Balance, March 31, 2016	<u>\$ 22,335</u>	<u>\$ (764,436)</u>	<u>\$ (742,101)</u>

(Continued)

	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Total
Balance, January 1, 2015	\$ 31,294	\$ (334,280)	\$ (302,986)
Exchange differences on translation	(2,665)	-	(2,665)
Changes in fair value of available-for-sale financial assets	-	(277,898)	(277,898)
Changes in other comprehensive income (loss) of associates accounted for using equity method	<u>84</u>	<u>(8,009)</u>	<u>(7,925)</u>
Balance, March 31, 2015	<u>\$ 28,713</u>	<u>\$ (620,187)</u>	<u>\$ (591,474)</u> (Concluded)

e. Treasury shares

As of March 31, 2016, December 31, 2015 and March 31, 2015, TWM's stocks held for the investment purposes by TCCI, TUI and TID, which are all wholly-owned by TWM, were 698,752 thousand shares, and the market values were \$73,019,542 thousand, \$69,875,160 thousand and \$76,513,300 thousand, respectively. Since TWM's shares held by its subsidiaries are regarded as treasury shares, TWM recognized \$29,717,344 thousand, as treasury shares. For those treasury shares holders, they have the same rights as the other shareholders, except that they are not allowed to subscribe new shares issued by TWM for cash. In addition, based on the ROC Company Act, subsidiaries with over 50% shareholding owned by TWM cannot exercise the voting rights over such treasury shares.

f. Non-controlling interests

	For the Three Months Ended March 31	
	2016	2015
Beginning balance	\$ 5,736,019	\$ 6,252,897
Portion attributable to non-controlling interests		
Profit	168,360	122,347
Unrealized losses on available-for-sale financial assets	(5,390)	(4,102)
Exchange differences on translation	514	(2,688)
Share of other comprehensive income (loss) of associates accounted for using equity method	288	(10,000)
Changes in equity of associates accounted for using equity method	<u>(75)</u>	<u>-</u>
Ending balance	<u>\$ 5,899,716</u>	<u>\$ 6,358,454</u>

25. OPERATING REVENUES

	For the Three Months Ended March 31	
	2016	2015
Telecommunication service	\$ 14,226,102	\$ 14,313,553
Sales revenue	12,165,315	12,921,641
Cable TV and broadband services	1,586,416	1,580,788
Other operating revenues	<u>1,221,064</u>	<u>901,588</u>
	<u>\$ 29,198,897</u>	<u>\$ 29,717,570</u>

26. OTHER INCOME AND EXPENSES

a. Other income

	For the Three Months Ended March 31	
	2016	2015
Interest income	\$ 39,832	\$ 30,057
Other income	<u>17,005</u>	<u>8,774</u>
	<u>\$ 56,837</u>	<u>\$ 38,831</u>

b. Other gains and losses, net

	For the Three Months Ended March 31	
	2016	2015
Loss on disposal of property, plant and equipment, net	\$ (42,412)	\$ (36,700)
Valuation loss on financial assets at fair value through profit or loss	(45,438)	-
Others	<u>(42,582)</u>	<u>(27,447)</u>
	<u>\$ (130,432)</u>	<u>\$ (64,147)</u>

c. Finance costs

	For the Three Months Ended March 31	
	2016	2015
Interest expense		
Bank loans	\$ 106,397	\$ 93,860
Corporate bonds	49,000	48,597
Others	<u>24,208</u>	<u>29,962</u>
	179,605	172,419
Less: Capitalized interest	<u>(1,364)</u>	<u>(1,893)</u>
	<u>\$ 178,241</u>	<u>\$ 170,526</u>
Capitalization rates	1.33%	1.33%

27. INCOME TAX

a. Income tax recognized in profit or loss

	For the Three Months Ended March 31	
	2016	2015
Current income tax expense		
Current period	\$ 957,445	\$ 523,786
Prior years' adjustment	<u>(4,330)</u>	<u>(499,016)</u>
	<u>953,115</u>	<u>24,770</u>
Deferred income tax expense		
Temporary differences	<u>(125,220)</u>	<u>186,542</u>
Income tax expense	<u>\$ 827,895</u>	<u>\$ 211,312</u>

b. Integrated income tax information was as follows:

	March 31, 2016	December 31, 2015	March 31, 2015
Balance of TWM's imputation credit account (ICA)	<u>\$ 1,148,061</u>	<u>\$ 1,148,061</u>	<u>\$ 1,234,356</u>

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

The estimated tax creditable ratio for 2015 and actual tax creditable ratio for 2014 were 19.80% and 16.08%, respectively, based on Decree No. 10204562810 announced on October 17, 2013, by the ROC Ministry of Finance; Under the Integrated Income Tax System, ROC resident shareholders are allowed to claim a tax credit for the income tax paid by TWM. An ICA is maintained by TWM for such income tax, and a tax credit is allocated to each shareholder when earning distribution occurs. Actual allocation of the ICA is based on the balance on the record date for dividend distribution. Therefore, the estimated tax creditable ratio may differ from the actual tax creditable ratio for the 2015 earnings appropriation. Effective from January 1, 2015, the tax creditable ratio for individual shareholders residing in ROC will be half of the original tax creditable ratio.

c. Income tax examinations

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

<u>Company</u>	<u>Year</u>
TWM	2013
TCC	2014
WMT	2014
TNH	2014
TDC	2014
TDS	2014
TCCI	2014
TID	2014
TFN	2014
TT&T	2014

(Continued)

Company	Year
TUI	2014
GWMT	2013
GFMT	2014
WTVB	2014
TFNM	2014 (2013 is still awaiting examination)
UCTV	2014
YJCTV	2013
MCTV	2014
PCTV	2014
GCTV	2014
TKT	2014
momo	2013
FST	2014
FLI	2014
FPI	2014

(Concluded)

TWM's income tax returns up to 2013 have been assessed by the tax authorities. TWM disagreed with assessment of the income tax return for 2013 and has applied for correction, which is still in process of the tax authorities' reviews.

TFN's income tax returns up to 2014 have been assessed by the tax authorities. TFN disagreed with the assessments of the income tax returns for 2010 and has appealed to ROC Ministry of Finance.

28. EARNINGS PER SHARE

	<u>For the Three Months Ended March 31, 2016</u>		
	Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of parent	\$ 3,773,123	2,722,081	<u>\$ 1.39</u>
Effect of potential dilutive common stock	<u>-</u>	<u>2,576</u>	
Diluted EPS			
Profit attributable to owners of parent (adjusted for potential effect of common stock)	<u>\$ 3,773,123</u>	<u>2,724,657</u>	<u>\$ 1.38</u>
	<u>For the Three Months Ended March 31, 2015</u>		
	Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of parent	\$ 3,812,687	2,722,081	<u>\$ 1.40</u>
Effect of potential dilutive common stock	<u>-</u>	<u>4,478</u>	
Diluted EPS			
Profit attributable to owners of parent (adjusted for potential effect of common stock)	<u>\$ 3,812,687</u>	<u>2,726,559</u>	<u>\$ 1.40</u>

Since TWM may settle the employee remuneration by cash or shares, TWM should presume that the entire amount of the remuneration will be settled in shares, and the potential share dilution should be included in the weighted-average number of shares outstanding used in the calculation of diluted EPS if the shares have a dilutive effect. In the calculation of diluted EPS, the number of outstanding shares is derived by dividing the entire amount of the bonus by the closing price of the shares at the end of the reporting period. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until employee remuneration is approved in the following year.

29. CAPITAL MANAGEMENT

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

30. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	March 31, 2016	December 31, 2015	March 31, 2015
<u>Financial assets</u>			
Available-for-sale financial assets (including current and non-current portions)	\$ 4,318,942	\$ 3,692,610	\$ 5,409,528
Financial assets at fair value through profit or loss	<u>109,971</u>	<u>158,322</u>	<u>-</u>
Financial assets carried at cost	<u>192,700</u>	<u>192,700</u>	<u>192,652</u>
Held-to-maturity financial assets	<u>-</u>	<u>-</u>	<u>6</u>
Loans and receivables:			
Cash and cash equivalents	8,704,003	8,579,422	8,217,370
Receivables (including current and non-current portions)	21,550,436	21,792,955	21,020,067
Debt instrument investments without active market	369,008	359,062	500,000
Other financial assets (including current and non-current portions)	3,099,667	3,112,465	3,256,356
Refundable deposits	<u>582,756</u>	<u>581,237</u>	<u>595,336</u>
Subtotal	<u>34,305,870</u>	<u>34,425,141</u>	<u>33,589,129</u>
Total	<u>\$ 38,927,483</u>	<u>\$ 38,468,773</u>	<u>\$ 39,191,315</u>

(Continued)

	March 31, 2016	December 31, 2015	March 31, 2015
<u>Financial liabilities</u>			
Short-term borrowings	\$ 9,730,763	\$ 14,220,938	\$ 13,800,000
Short-term notes and bills payable	8,494,931	10,793,487	11,984,492
Payables (including current and non-current portions)	17,690,704	18,541,226	19,133,165
Bonds payable	14,796,350	14,795,938	14,794,704
Long-term borrowings (including current portion)	21,895,917	21,950,363	15,835,990
Guarantee deposits	<u>786,973</u>	<u>797,787</u>	<u>803,288</u>
Total	<u>\$ 73,395,638</u>	<u>\$ 81,099,739</u>	<u>\$ 76,351,639</u> (Concluded)

b. Fair value of financial instruments

1) Financial instruments not at fair value

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

	<u>March 31, 2016</u>		<u>December 31, 2015</u>		<u>March 31, 2015</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>						
Bonds payable	\$ 14,796,350	\$ 15,008,929	\$ 14,795,938	\$ 14,965,461	\$ 14,794,704	\$ 14,775,239

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

2) Fair value measurements recognized in the consolidated balance sheets

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

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

Financial instruments at fair valueMarch 31, 2016

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

December 31, 2015

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

March 31, 2015

	Level 1	Level 2	Level 3	Total
<u>Available-for-sale financial assets</u>				
Domestic listed stock	\$ 216,265	\$ -	\$ -	\$ 216,265
Domestic emerging stock	1,073,527	-	-	1,073,527
Domestic unlisted stocks	-	2,120,047	-	2,120,047
Beneficiary certificates	<u>1,999,689</u>	<u>-</u>	<u>-</u>	<u>1,999,689</u>
	<u>\$ 3,289,481</u>	<u>\$ 2,120,047</u>	<u>\$ -</u>	<u>\$ 5,409,528</u>

Transfer between Level 1 and Level 2 for the three months ended March 31, 2016 was mainly due to the changes in the source of valuation. There was no transfer between the fair value measurements of Levels 1 and 2 for the three months ended March 31, 2015.

Valuation techniques and assumptions used in fair value determination

- a) The fair value of financial instruments traded in active markets is based on quoted market prices (including stocks and bonds of companies that went public).
 - b) Valuation techniques and inputs applied for Level 2 fair value measurement: The Group uses market comparison approach to evaluate fair values based on observable prices of the similar financial instruments at the end of the period and their market liquidity. For foreign unlisted stocks, the Group also takes price fluctuation and risk-free rate into consideration by using market comparison approach.
 - c) Valuation techniques and inputs applied for Level 3 fair value measurement: The embedded derivatives instruments of convertible notes are evaluated by using binary tree evaluation models to evaluate fair value, considering significant unobservable inputs are historical volatility of stock prices and liquidity discount rate. On March 31, 2016 and December 31, 2015, the historical volatility of stock prices was estimated at 60.42% and 55.02%, respectively, and the liquidity discount rate was estimated at 33.96% and 31.15%, respectively. Assuming all other variables are constant, an increase (or decrease) in the historical volatility of stock prices used in isolation would result in an increase (or decrease) in the liquidity discount rate. There is a positive correlation between historical volatility of stock prices and fair value and a negative correlation between liquidity discount rate and fair value. As a result, the fair value is affected by historical volatility of stock prices and liquidity discount rate.
- 3) Reconciliation of Level 3 fair value measurements of financial instruments

For the three months ended March 31, 2016

Financial Assets at Fair Value Through Profit or Loss	Derivative Instruments
Beginning balance	\$ 158,322
Recognized in profit or loss	
Valuation loss on financial assets at fair value through profit or loss	(45,438)
Unrealized loss on foreign currency exchange	<u>(2,913)</u>
Ending balance	<u>\$ 109,971</u>

c. Financial risk management

- 1) The Group is exposed to the following risks due to usage of financial instruments:
 - a) Credit risk
 - b) Liquidity risk
 - c) Market risk

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

2) Risk management framework

- a) Decision-making mechanism

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

b) Risk management policies

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

c) Monitoring mechanism

The Internal Audit Office regularly monitors and assesses the potential risks that the Group may face and use this information as a reference for drafting its annual audit plan. The Internal Audit Office should report any discrepancy to the concerned unit chief and ensure that remediation efforts are completed.

3) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, which arises principally from the Group's receivables from customers and financial instruments. The Group deals with customers with good reputations and monitors customers' credit risk and credit ratings continuously. The Group does not concentrate transactions significantly with any single customer or counterparty or in similar areas. The Group's maximum exposure to credit risk of all kinds of financial instruments is equal to the carrying amount.

4) Liquidity risk

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

The Group ensures sufficient cash for the requirements of paying estimated operating expenditures, including financial obligations. The Group also monitors its bank credit facilities to ensure that the provisions of loan contracts are all complied with properly. As of March 31, 2016, December 31, 2015 and March 31, 2015, the Group had unused bank facilities of \$49,968,464 thousand, \$44,877,067 thousand and \$57,799,827 thousand, respectively.

The Group's working capital is sufficient to meet the cash flow demand; therefore, liquidity risk is not considered to be significant.

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

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1-5 Years	More Than 5 Years
<u>March 31, 2016</u>					
Unsecured loans	\$ 28,550,763	\$ 28,904,964	\$ 16,997,147	\$ 11,889,253	\$ 18,564
Secured loans	3,075,917	3,344,516	279,048	3,065,468	-
Short-term notes and bills payable	8,494,931	8,500,000	8,500,000	-	-
Bonds payable	<u>14,796,350</u>	<u>15,409,150</u>	<u>195,420</u>	<u>15,213,730</u>	<u>-</u>
	<u>\$ 54,917,961</u>	<u>\$ 56,158,630</u>	<u>\$ 25,971,615</u>	<u>\$ 30,168,451</u>	<u>\$ 18,564</u>
<u>December 31, 2015</u>					
Unsecured loans	\$ 32,990,938	\$ 33,336,485	\$ 24,465,439	\$ 8,838,846	\$ 32,200
Secured loans	3,180,363	3,475,786	281,980	3,193,806	-
Short-term notes and bills payable	10,793,487	10,800,000	10,800,000	-	-
Bonds payable	<u>14,795,938</u>	<u>15,409,150</u>	<u>195,420</u>	<u>15,213,730</u>	<u>-</u>
	<u>\$ 61,760,726</u>	<u>\$ 63,021,421</u>	<u>\$ 35,742,839</u>	<u>\$ 27,246,382</u>	<u>\$ 32,200</u>
<u>March 31, 2015</u>					
Unsecured loans	\$ 26,350,000	\$ 26,517,335	\$ 18,948,225	\$ 7,469,110	\$ 100,000
Secured loans	3,285,990	3,290,000	210,000	3,080,000	-
Short-term notes and bills payable	11,984,492	12,000,000	12,000,000	-	-
Bonds payable	<u>14,794,704</u>	<u>15,604,570</u>	<u>195,420</u>	<u>15,409,150</u>	<u>-</u>
	<u>\$ 56,415,186</u>	<u>\$ 57,411,905</u>	<u>\$ 31,353,645</u>	<u>\$ 25,958,260</u>	<u>\$ 100,000</u>

5) Market risk

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

The Group engages in financial instrument transactions without involving any significant risk such as exchange rate risk, interest rate risk, and market price risk; therefore, the Group's market risk is insignificant.

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. Overall, exchange rate risk does not affect the Group significantly.

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

	March 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 4,110	4.978	\$ 20,459
USD	55,885	32.265	1,803,129
JPY	590	0.2878	170
HKD	88,960	4.161	370,165
EUR	1,263	36.55	46,176
AUD	216	24.805	5,361
Non-monetary items			
RMB	150,998	4.978	751,671
HKD	41,713	4.161	173,567
THB	184,252	0.9213	169,753
<u>Foreign currency liabilities</u>			
Monetary items			
RMB	4,444	4.978	22,122
USD	14,313	32.265	461,804
JPY	11,293	0.2878	3,250
HKD	206	4.161	857
EUR	19	36.55	701
AUD	720	24.805	17,869
December 31, 2015			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 3,904	4.975	\$ 19,422
USD	53,819	32.86	1,768,481
JPY	606	0.2729	165
HKD	84,947	4.239	360,089
EUR	928	35.94	33,342
Non-monetary items			
RMB	143,455	4.975	713,691
HKD	55,690	4.239	236,068
THB	176,166	0.9167	161,491
<u>Foreign currency liabilities</u>			
Monetary items			
USD	11,791	32.86	387,456
JPY	7,857	0.2729	2,144
HKD	148	4.239	629
EUR	6	35.94	214

	March 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 953	5.035	\$ 4,799
USD	57,494	31.285	1,798,358
JPY	673	0.2614	176
HKD	301	4.034	1,213
EUR	626	33.89	21,218
Non-monetary items			
RMB	37,260	5.035	187,603
THB	156,146	0.9653	150,728
<u>Foreign currency liabilities</u>			
Monetary items			
USD	17,161	31.285	536,875
JPY	6,504	0.2614	1,700
HKD	197	4.034	794
EUR	12	33.89	399

The Group's foreign exchange gains and losses, including realized and unrealized, for the three months ended March 31, 2016 and 2015, were net exchange loss of \$39,700 thousand and \$25,064 thousand, respectively. Due to the variety of functional currencies, the Group could not disclose the foreign exchange gains (losses) for each foreign currency with significant influence.

Sensitivity analysis

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts denominated in foreign currencies such as cash and cash equivalents, accounts receivable, other receivables, debt instrument investments without active market, other financial assets, refundable deposits, accounts payable, other payables, and guarantee deposits, etc. If the foreign currencies with an unfavorable 5% movement in the levels of foreign exchanges against NTD at the end of the reporting period (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have decreased by \$86,943 thousand and \$64,300 thousand for the three months ended March 31, 2016 and 2015, respectively.

b) Interest rate risk

The Group issued unsecured corporate bonds and signed facility agreements with banks for locking in medium- and long-term fixed interest rates. In respect of interest payables, the fluctuation of interest rates does not affect the Group significantly. Also, interest rate risk does not have significant impact on the Group's short-term bank loans.

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

	March 31, 2016	December 31, 2015	March 31, 2015
Fair value interest rate risk			
Financial assets	\$ 8,791,286	\$ 8,821,624	\$ 9,482,478
Financial liabilities	48,941,281	55,289,425	49,779,196
Cash flow interest rate risk			
Financial assets	3,282,369	3,135,602	1,886,657
Financial liabilities	5,976,680	6,471,301	6,635,990

Sensitivity analysis

The following sensitivity analysis is based on the exposure to interest rate risk of derivative and non-derivative instruments at the end of the reporting period. For floating-rate assets and liabilities, the analysis assumes that the balances of outstanding assets and liabilities at the end of the reporting period have been outstanding for the whole period and that the changes in interest rates are reasonable. If the interest rate had increased by 50 basis points (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), the Group's profit would have decreased by \$3,368 thousand and \$5,937 thousand for the three months ended March 31, 2016 and 2015, respectively.

c) Other market price risk

The Group's exposure to equity price risk is mainly due to holding equity financial instruments. The Group supervises the equity price risk actively and manages the risk based on fair value.

Sensitivity analysis

If the price of equity tools had decreased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), for the three months ended March 31, 2016 and 2015, other comprehensive income would have decreased by \$215,947 thousand and \$270,476 thousand, respectively.

31. RELATED-PARTY TRANSACTIONS

a. Parent company and ultimate controlling party

TWM is the ultimate controlling party of the Group.

b. Significant transactions with related parties

1) Operating revenue

	For the Three Months Ended March 31	
	2016	2015
Associates	\$ 20,879	\$ 4,737
Other related parties	<u>82,568</u>	<u>35,924</u>
	<u>\$ 103,447</u>	<u>\$ 40,661</u>

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

2) Purchases

	For the Three Months Ended March 31	
	2016	2015
Associates	\$ 102,026	\$ 121,750
Other related parties	<u>106,205</u>	<u>61,728</u>
	<u>\$ 208,231</u>	<u>\$ 183,478</u>

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

3) Receivables from related parties

Account	Related Party Categories	March 31, 2016	December 31, 2015	March 31, 2015
Accounts receivable	Associates	\$ 7,847	\$ 18,786	\$ 2,132
Accounts receivable	Other related parties	<u>72,788</u>	<u>43,317</u>	<u>37,402</u>
		<u>\$ 80,635</u>	<u>\$ 62,103</u>	<u>\$ 39,534</u>
Other receivables	Associates	\$ 73,324	\$ 88,661	\$ 70,428
Other receivables	Other related parties	<u>45,686</u>	<u>40,557</u>	<u>58,497</u>
		<u>\$ 119,010</u>	<u>\$ 129,218</u>	<u>\$ 128,925</u>

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

4) Payables to related parties

Account	Related Party Categories	March 31, 2016	December 31, 2015	March 31, 2015
Accounts payable	Associates	\$ 28,936	\$ 38,485	\$ 35,098
Accounts payable	Other related parties	<u>40,725</u>	<u>53,001</u>	<u>36,808</u>
		<u>\$ 69,661</u>	<u>\$ 91,486</u>	<u>\$ 71,906</u>
Other payables	Other related parties	<u>\$ 94,131</u>	<u>\$ 75,394</u>	<u>\$ 72,598</u>

5) Prepayments

	March 31, 2016	December 31, 2015	March 31, 2015
Other related parties	<u>\$ 33,605</u>	<u>\$ 26,445</u>	<u>\$ 30,401</u>

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

	March 31, 2016	December 31, 2015	March 31, 2015
Other related parties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 705,000</u>

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

7) Bank deposits, time deposits and other financial assets

	March 31, 2016	December 31, 2015	March 31, 2015
Other related parties	<u>\$ 2,205,687</u>	<u>\$ 2,004,158</u>	<u>\$ 2,592,325</u>

8) Others

	March 31, 2016	December 31, 2015	March 31, 2015
Guarantee deposits			
Other related parties	<u>\$ 48,279</u>	<u>\$ 48,271</u>	<u>\$ 32,429</u>

**For the Three Months Ended
March 31**

	2016	2015
Operating expenses		
Other related parties	<u>\$ 118,873</u>	<u>\$ 112,507</u>

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

c. Key management compensation

	For the Three Months Ended March 31	
	2016	2015
Short-term employee benefits	\$ 75,773	\$ 73,721
Termination and post-employment benefits	<u>4,280</u>	<u>729</u>
	<u>\$ 80,053</u>	<u>\$ 74,450</u>

32. ASSETS PLEDGED

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

	March 31, 2016	December 31, 2015	March 31, 2015
Other current financial assets	\$ 1,059,717	\$ 1,079,811	\$ 124,806
Services concession	7,640,250	7,685,516	7,810,560
Other non-current financial assets	<u>121,657</u>	<u>109,366</u>	<u>108,864</u>
	<u>\$ 8,821,624</u>	<u>\$ 8,874,693</u>	<u>\$ 8,044,230</u>

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	March 31, 2016	December 31, 2015	March 31, 2015
Purchases of property, plant and equipment, etc.	<u>\$ 8,416,628</u>	<u>\$ 4,905,394</u>	<u>\$ 6,865,395</u>
Purchases of cellular phones	<u>\$ 5,690,131</u>	<u>\$ 4,111,662</u>	<u>\$ 5,290,075</u>

b. As of March 31, 2016, December 31, 2015 and March 31, 2015, the amounts of endorsements and guarantees (provided to each entity in the Group) were \$21,699,340 thousand, \$21,699,250 thousand and \$21,550,000 thousand, respectively.

c. In accordance with the NCC's policy, TWM entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid cards and electronic gift certificates, totaling amounting to \$884,397 thousand and \$14,571 thousand, respectively, as of March 31, 2016.

In accordance with the NCC's policy, TFN entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from International Direct Dialing ("IDD") calling cards totaling \$38 thousand as of March 31, 2016.

In accordance with the NCC's policy, cable television companies should provide a performance deposit based on a certain proportion of the advance receipts for a prepaid period. As of March 31, 2016, the cable television companies had provided \$62,388 thousand as a performance deposit, classified as other non-current financial assets.

In accordance with the Ministry of Economic Affairs' policy, momo entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid bonus and electronic tickets totaling \$21,236 thousand and \$1,158 thousand, respectively, as of March 31, 2016.

In accordance with the Ministry of Economic Affairs' policies, TKT entered into a contract with Mega International Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid music cards totaling \$1,341 thousand as of March 31, 2016.

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

The construction and operating period is 50 years from the day following the signing of the contract.
 - 2) Development concession:

The total initial amount of concession was \$1,238,095 thousand (tax excluded). According to the supplemental agreement signed in November 2014, the concession will be paid with additional business tax from the signing date of the supplemental agreement; thus, the concession will be increased by \$48,750 thousand. The rest of the concession will be paid over 14 years from the year 2015. As of March 31, 2016, \$429,812 thousand (tax included) of the concession had been paid.
 - 3) Performance guarantee:

As of March 31, 2016, TNH had provided a \$65,000 thousand performance guarantee regarding the BOT contract.
 - 4) Rental of land:

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

During the operating period, TNH should pay 60% of 5% of the announced land value, that is, 3% of the announced land value. According to the supplemental agreement signed in November 2014, the concession will be paid with additional business tax from the date of agreement signing.
- e. In May 2015, Far EasTone Telecommunications (FET) filed with the Taipei District Court a request for provisional injunction to prohibit TWM from using a portion of its C1 spectrum block (1715.1-1721.3/1810.1-1816.3 MHz). FET offered a security deposit of \$1,048,703 thousand for the Court to bring the requested injunction into effect. The Court granted the request but allowed TWM to provide a counter-security deposit of \$927,000 thousand to continue the use of the spectrum block. TWM filed for the counter-security on July 14, 2015 and the use of the C1 band remains status quo. The rights and interests of the subscribers will not be affected. Besides, in August 2015, FET filed with the Court a civil statement of complaint, in which FET claims that (i) TWM shall not use the C1 spectrum block until TWM returns the C4 spectrum block and (ii) TWM shall immediately apply to return the C4 spectrum block to the NCC. In September 2015, FET raised an additional claim in which FET claims that TWM shall provide \$1,005,800 thousand to FET as compensation. The aforementioned case is still in the judicial proceeding and still unable to predict the lawsuit result.
- f. YJCTV has requested for reexamination due to disagreement with the assessments of the business tax returns from 2008 to 2013.

34. SIGNIFICANT CASUALTY LOSS: NONE

35. SIGNIFICANT SUBSEQUENT EVENTS

In April 2016, FET filed a provisional injunction request to the Court and claimed that TWM shall apply to return the C4 spectrum block to the NCC immediately and shall not use the C4 and C1 spectrum blocks. On April 28, 2016, TWM received the Court ruling, which states that, after FET provides a collateral of \$143,050 thousand in forms of cash or a negotiable certificate of deposit (“NCD”) issued by Far Eastern International Bank with the equal amount, TWM shall apply to NCC to return the C4 spectrum block, and TWM shall be prohibited from the use of the C4 spectrum block. The rest of FET’s claims were rejected. In accordance with the Court ruling of provisional injunction, TWM will provide a counter-security of \$547,119 thousand in the form of cash or a NCD issued by the Bank of Taiwan for the equal amount, for the purposes of being exempted from, of revoking the above provisional injunction granted by the district Court. After providing the counter-security and before the Court’s final judgment, TWM will not be required to return the C4 spectrum block, which is currently used for providing TWM’s 2G services, to NCC and the use of the C4 spectrum block can be remained status quo. Based on the aforementioned, the rights and interests of TWM’s 2G subscribers will not be affected. The use of the spectrum blocks by TWM is in compliance with the approval granted by the competent authority. TWM will discuss with its legal counsels to file a counter appeal in order to protect the rights and interests of TWM and its subscribers. In summary, after taking the due actions, there will be no material impacts on TWM from the financial or operational perspectives.

36. OTHERS

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

	For the Three Months Ended March 31					
	2016			2015		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 509,315	\$ 1,055,412	\$ 1,564,727	\$ 504,537	\$ 961,827	\$ 1,466,364
Insurance expenses	40,216	88,328	128,544	42,875	84,441	127,316
Pension	22,974	46,487	69,461	22,070	41,061	63,131
Others	25,471	59,253	84,724	24,206	50,149	74,355
Depreciation	2,498,981	120,914	2,619,895	2,490,237	131,279	2,621,516
Amortization	679,701	111,877	791,578	529,570	101,619	631,189

a. Information of employee remuneration and remuneration to directors

TWM’s estimated bonus to employees and estimated remuneration to directors are accrued by a percentage of the profit in accordance with the current TWM’s Articles of Incorporation. For the three months ended March 31, 2015, TWM’s estimated bonus to employees and estimated remuneration to directors were \$94,288 thousand and \$7,989 thousand, respectively.

In accordance with the amendments to the Company Act in May 2015 and the amended TWM’s Articles of Incorporation proposed by the Board of Directors in October 2015, the estimated employee remuneration and estimated remuneration to directors based on a proportion of profit before income tax, employee remuneration and remuneration to directors. For the three months ended March 31, 2016, the estimated employees remuneration and estimated remuneration to directors were \$122,313 thousand and \$12,231 thousand, respectively.

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

The employee remuneration and remuneration to directors of 2015 approved by the Board of Directors on January 29, 2016 and the amounts recognized in the consolidated financial statements were stated as below. Such amounts are subject to the resolution of the amendments to TWM's Articles of Incorporation for adoption by the AGM held on June 15, 2016.

	Employee Remuneration Paid by Cash	Remuneration to Directors
Amounts resolved by the Board of Directors	<u>\$ 454,757</u>	<u>\$ 45,476</u>
Amounts recognized in the consolidated financial statements	<u>\$ 466,322</u>	<u>\$ 46,632</u>

The differences above have been adjusted in 2016.

On the AGM held on June 10, 2015, the AGM resolved to distribute cash bonus to employees, and remuneration to directors totaling \$396,057 thousand and \$33,846 thousand, respectively, for 2014. There were no differences between the amounts resolved for actual distribution and the amounts recognized in the financial statements for 2014.

Information on the employee remuneration or bonus to employees and remuneration to directors proposed by the Board of Directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

- b. For the three months ended March 31, 2016 and 2015, the depreciation expense in non-operating expenses was \$775 thousand and \$754 thousand, respectively.

37. ADDITIONAL DISCLOSURES

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

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

- 1) Financing extended to other parties: Table 1 (attached)
- 2) Endorsements/guarantees provided to other parties: Table 2 (attached)
- 3) Marketable securities held: 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: None
- 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 4 (attached)
- 8) Receivables from related parties of at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)

9) Names, locations and related information of investees on which TWM exercised significant influence: Table 6 (attached) (excluding information on investment in Mainland China)

10) Trading in derivative instruments: Note 30

11) Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 7 (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 8 (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: See the aforementioned "Information on significant transactions".

38. SEGMENT INFORMATION

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

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

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

Cable Television: Providing pay TV and cable broadband services.

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

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

For the Three Months Ended March 31, 2015	Telecommunication	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$ 21,814,806	\$ 6,259,652	\$ 1,623,908	\$ 137,622	\$ (118,418)	\$ 29,717,570
Operating costs	14,653,463	5,484,015	777,895	111,351	(47,028)	20,979,696
Operating expenses	3,785,140	480,794	188,517	27,478	(34,525)	4,447,404
Other gains and losses, net	48,317	28	1,904	-	-	50,249
Profit	3,424,520	294,871	659,400	(1,207)	(36,865)	4,340,719
EBITDA (Note)	6,325,716	328,522	888,495	49,286	2,159	7,594,178

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING EXTENDED TO OTHER PARTIES
FOR THE THREE MONTHS ENDED MARCH 31, 2016

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits	Note
													Item	Value			
1	TFN	TWM	Other receivables	Yes	\$ 9,000,000	\$ 9,000,000	\$ 6,080,000	1.18056%-1.23511%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 21,719,360	\$ 21,719,360	Note 2
2	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	1.23100%	Short-term financing	-	Repayment of financing	-	-	-	290,114	508,039	Note 3
3	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	1.18567%-1.23100%	Transactions	551,964	-	-	-	-	551,964	1,015,989	Note 3
4	YJCTV	TFNM	Other receivables	Yes	470,000	470,000	470,000	1.18567%-1.23100%	Transactions	502,286	-	-	-	-	502,286	797,398	Note 3
5	WMT	TWM	Other receivables	Yes	2,700,000	2,700,000	2,190,000	1.11789%-1.29767%	Short-term financing	-	Operation requirements	-	-	-	8,501,873	8,501,873	Note 2
		TKT	Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,501,873	8,501,873	Note 2
		WTVB	Other receivables	Yes	600,000	600,000	-	1.28111%	Short-term financing	-	Operation requirements	-	-	-	8,501,873	8,501,873	Note 2
		TFNM	Other receivables	Yes	3,000,000	3,000,000	1,740,000	1.28111%-1.29789%	Short-term financing	-	Operation requirements	-	-	-	8,501,873	8,501,873	Note 2
6	TCC	TWM	Other receivables	Yes	300,000	300,000	300,000	1.23511%	Short-term financing	-	Operation requirements	-	-	-	33,808,916	33,808,916	Note 2

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

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE THREE MONTHS ENDED MARCH 31, 2016

(In Thousands of New Taiwan Dollars)

No.	Company Providing Endorsements/ Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts (Note 1)	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor (Note 1)	Maximum Endorsements/ Guarantees Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	TWM	TFN TKT	Note 2 Note 2	\$ 42,000,000 259,800	\$ 21,500,000 50,000	\$ 21,500,000 50,000	\$ 10,197,225 50,000	\$ - -	33.72 0.08	\$ 63,760,620 63,760,620	Y Y	N N	N N	Notes 3 and 4 Note 3
1	momo	FGE	Note 2	798,880	149,340	149,340	149,340	-	2.50	5,976,364	N	N	Y	Note 5

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

Note 2: Direct/indirect subsidiary.

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

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	March 31, 2016				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
TWM	<u>Stock</u>							
	Chunghwa Telecom Co., Ltd.	-	Current available-for-sale financial assets	2,174	\$ 238,000	0.028	\$ 238,000	
	Asia Pacific Telecom Co., Ltd.	-	Non-current available-for-sale financial assets	148,255	1,638,218	3.45	1,638,218	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at cost	800	7,050	10	-	
	Yes Mobile Holdings Company	-	Non-current financial assets at cost	74	-	0.19	-	Note 1
momo	<u>Beneficiary Certificates</u>							
	Fubon Strategic High Income Fund B	Related party in substance	Current available-for-sale financial assets	18,302	171,917	-	171,917	
	Fuh Hwa Emerging Market High Yield Bond Fund B	-	Current available-for-sale financial assets	10,225	64,622	-	64,622	
	PineBridge Global Multi - Strategy High Yield Bond Fund-B	-	Current available-for-sale financial assets	23,351	163,007	-	163,007	
	Eastspring Investments Global High Yield Bond Fund B	-	Current available-for-sale financial assets	19,028	155,468	-	155,468	
	JPMorgan (Taiwan) Asia High Yield Total Return Bond Fund - Monthly Distribution Share Class	-	Current available-for-sale financial assets	18,916	184,282	-	184,282	
	Eastspring Investments Well Pool Money Market Fund	-	Current available-for-sale financial assets	14,879	200,042	-	200,042	
TCC	<u>Stock</u>							
	Media Asia Group Holdings Limited	-	Current available-for-sale financial assets	43,668	63,596	2.04	63,596	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at cost	2,400	60,000	7.73	-	
TCC	<u>Stock</u>							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at cost	6,998	67,731	5.21	-	
	Parawin Venture Capital Corp.	-	Non-current financial assets at cost	1,944	9,311	3	-	
	Transportation High Tech Inc.	-	Non-current financial assets at cost	1,200	-	12	-	Note 1
	WEB Point Co., Ltd.	-	Non-current financial assets at cost	803	6,773	3.17	-	
TFNM	<u>Beneficiary Certificates</u>							
	Dragon Tiger Capital Partners Limited - Class B	-	Non-current financial assets at cost	0.2	6	0.33	-	
	Dragon Tiger Capital Partners Limited - Class C	-	Non-current financial assets at cost	0.0335	2,202	0.05	-	

(Continued)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	March 31, 2016				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
TCCI	<u>Bonds</u> Media Asia Group Holdings Limited - Convertible Notes	-	Non-current financial assets at fair value through profit or loss	-	\$ 109,971	-	\$ 109,971	
		-	Non-current debt instrument investment without active market	-	369,008	-	-	
	<u>Stock</u> TWM	TWM	Non-current available-for-sale financial assets	200,497	20,951,911	5.86	20,951,911	
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at cost	10,000	39,627	6.67	-	
TID	<u>Stock</u> TWM	TWM	Non-current available-for-sale financial assets	87,590	9,153,109	2.56	9,153,109	
TFN	<u>Stock</u> Taiwan High Speed Rail Corporation	-	Non-current available-for-sale financial assets	90,212	1,439,790	1.61	1,439,790	
TUI	<u>Stock</u> TWM	TWM	Non-current available-for-sale financial assets	410,665	42,914,522	12	42,914,522	

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

Note 2: For the information on investments in subsidiaries and associates, see Table 6 and Table 8 for details.

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2016

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
TWM	TFN	Subsidiary	Sale	\$ 247,782	1	Based on contract terms	-	-	\$ 164,602	1	(Note 1)
	TT&T	Subsidiary	Purchase	1,324,954	(Note 2)	Based on contract terms	-	-	(504,759)	(Note 3)	(Note 1)
			Purchase	286,103	(Note 2)	Based on contract terms	-	-	(94,653)	(Note 3)	
TT&T	TWM	Ultimate parent	Sale	286,103	92	Based on contract terms	-	-	94,653	92	
TFN	TWM	Ultimate parent	Sale	1,324,954	46	Based on contract terms	-	-	504,759	55	(Note 1)
			Purchase	247,782	(Note 2)	Based on contract terms	-	-	(164,602)	(Note 3)	(Note 1)
TFNM	PCTV	Subsidiary	Channel leasing fee	119,640	15	Based on contract terms	(Note 4)	(Note 4)	-	-	
	YJCTV	Subsidiary	Channel leasing fee	107,955	13	Based on contract terms	(Note 4)	(Note 4)	-	-	
YJCTV	TFNM	Parent	Royalty for copyright	107,955	55	Based on contract terms	(Note 4)	(Note 4)	-	-	
PCTV	TFNM	Parent	Royalty for copyright	119,640	58	Based on contract terms	(Note 4)	(Note 4)	-	-	
momo	TPE	Equity-method investee	Purchase	101,636	2	Based on contract terms	-	-	(28,879)	1	

Note 1: Accounts receivable (payable) was the net amount of accounts receivable minus accounts payable, custodial receipts, and payment on behalf of others.

Note 2: Including operating costs and operating expenses.

Note 3: Including accounts payable and other payables.

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2016

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
						Amount	Action Taken		
TWM	TFN	Subsidiary	Accounts receivable	\$ 164,602	5.59	\$ -	-	\$ 162,053	\$ -
			Other receivables	38,414		-	-	37,665	-
TCC	TWM	Parent	Other receivables	301,553		-	-	1,553	-
WMT	TWM	Parent	Other receivables	2,198,031		-	-	2,198,031	-
	TFNM	Subsidiary	Other receivables	1,746,432		-	-	1,746,432	-
TFN	TWM	Ultimate parent	Accounts receivable	504,759	10.38	-	-	460,918	-
			Other receivables	6,228,318		-	-	102,634	-
PCTV	TFNM	Parent	Accounts receivable	3,052	12.06	-	-	-	-
			Other receivables	521,598		-	-	-	-
GCTV	TFNM	Parent	Accounts receivable	1,302	11.90	-	-	-	-
			Other receivables	250,767		-	-	-	-
YJCTV	TFNM	Parent	Accounts receivable	3,083	11.39	-	-	-	-
			Other receivables	471,444		-	-	-	-

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE THREE MONTHS ENDED MARCH 31, 2016

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2016			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2016	December 31, 2015	Shares (Thousands)	Percentage of Ownership	Carrying Value			
TWM	TCC	Taiwan	Investment	\$ 40,397,288	\$ 40,397,288	502,970	100	\$ 21,454,219	\$ 967,087	\$ 93,544	Note 1
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	21,254,682	646,292	646,292	
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,669,471	(27,340)	(13,643)	
	ADT	Taiwan	Technology development of mobile payment and information processing services	30,000	30,000	3,000	13.33	13,682	(16,488)	(2,327)	
TCC	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	28,799,350	381	-	Note 2
	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	54,299,362	950,620	-	Note 2
	TDC	Taiwan	Mobile phone wholesaling and TV program production	112,000	112,000	11,200	100	115,877	(60)	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	263,244	(2,343)	-	Notes 2 and 3
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	117,675	13,775	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	25,000	2,500	100	508,440	4,100	-	Note 2
WMT	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	99,042	1,332	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	17,951	107	-	Note 2
	TFNM	Taiwan	Cable broadband and value added service provider	5,210,443	5,210,443	230,921	100	7,566,826	489,455	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	332,504	24,711	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,240,779	343,501	-	Note 2
TCCI	TID	Taiwan	Investment	3,602,782	3,602,782	104,712	100	8,009,657	(81)	-	Note 2
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	37,526,790	(77)	-	Note 2
	TFN HK Ltd.	Hong Kong	Telecommunications service provider	3,096	3,096	1,300	100	20,842	299	-	Note 2
TT&T	TT&T Holdings	Samoa	Investment	36,284	36,284	1,300	100	53,498	(920)	-	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	97,552	20,488	-	Note 2
GFMT	UCTV	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	16,326	22,152	-	Note 2
TFNM	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,123,664	22,152	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	2,262,261	30,951	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	678,906	28,711	-	Notes 2 and 4
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,484,847	53,441	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,292,545	20,488	-	Note 2
	TKT	Taiwan	Digital music service	129,900	129,900	12,000	100	300,271	927	-	Note 2
	Kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	271,030	(19,829)	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2016			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2016	December 31, 2015	Shares (Thousands)	Percentage of Ownership	Carrying Value			
momo	FST	Taiwan	Travel agent	\$ 6,000	\$ 6,000	3,000	100	\$ 33,984	\$ 6,860	\$ -	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	11,440	577	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	7,992	(124)	-	Note 2
	Asian Crown (BVI)	British Virgin Islands	Investment	789,864	789,864	26,500	76.26	19,808	(21,046)	-	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	729,579	15,795	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	417,982	46,125	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	143,492	143,492	31,150	35	169,753	27,210	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,035,051	1,035,051	33,633	100	21,233	(20,899)	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,035,051	1,035,051	33,633	100	21,233	(20,899)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	729,579	15,795	-	Note 2

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

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

Note 3: Held 1 share on March 31, 2016.

Note 4: 70.47% of shares are held under trustee accounts.

Note 5: For information on investment in Mainland China, see Table 8 for details.

(Concluded)

TABLE 7

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2016

(In Thousands of New Taiwan Dollars)

Number	Company Name	Counter Party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	TWM	momo	1	Accounts and notes receivable, net	\$ 10,991	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other receivables	38,414		-
		TNH	1	Other non-current assets	18,824		-
		TFN	1	Short-term borrowings	6,080,000		4
		WMT	1	Short-term borrowings	2,190,000		1
		TCC	1	Short-term borrowings	300,000		-
		TKT	1	Accounts payable	91,041		-
		TFN	1	Accounts payable	13,662		-
		TFN	1	Other payables	606,434		-
		TT&T	1	Other payables	94,647		-
		TDS	1	Other payables	10,306		-
		TFN	1	Other current liabilities	40,433		-
		TFN	1	Operating revenues	247,782		1
		momo	1	Operating revenues	32,902		-
		TFN	1	Operating costs	1,319,980		5
		TKT	1	Operating costs	89,799		-
		TDS	1	Operating costs	30,146		-
		TT&T	1	Operating expenses	286,090		1
		TNH	1	Operating expenses	22,100		-
		TFN	1	Operating expenses	14,560		-
momo	1	Other income	10,320	-			
TFN	1	Finance costs	18,513	-			
1	WMT	TFNM	1	Other receivables	1,746,432	"	1
2	momo	TFNM	3	Operating costs	24,412	"	-
3	TFNM	PCTV	1	Accounts and notes receivable, net	35,119	"	-
		YJCTV	1	Accounts and notes receivable, net	34,473	"	-
		UCTV	1	Accounts and notes receivable, net	22,993	"	-
		GCTV	1	Accounts and notes receivable, net	15,197	"	-
		MCTV	1	Accounts and notes receivable, net	13,565	"	-
		PCTV	1	Short-term borrowings	520,000	"	-
		YJCTV	1	Short-term borrowings	470,000	"	-
		GCTV	1	Short-term borrowings	250,000	"	-
		WTVB	3	Accounts payable	16,782	"	-

(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		
		PCTV	1	Operating revenues	\$ 130,100	The terms of transaction are determined in accordance with mutual agreements or general business practices	-	
		YJCTV	1	Operating revenues	117,349		"	-
		UCTV	1	Operating revenues	55,395		"	-
		GCTV	1	Operating revenues	50,939		"	-
		WTVB	3	Operating costs	16,782		"	-
4	TFN	TFNM	3	Accounts and notes receivable, net	24,042	"	-	
		TFN HK Ltd.	1	Other payables	22,259	"	-	
		TFNM	3	Operating revenues	35,782	"	-	
		TFN HK Ltd.	1	Operating costs	26,241	"	-	
		TT&T	3	Operating expenses	24,558	"	-	

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

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

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2016

(In Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2016	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of March 31, 2016	Accumulated Inward Remittance of Earnings as of March 31, 2016	Note
					Outflow	Inflow							
Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis and development of CRM application and information consulting services	\$ -	b	\$ 41,945	\$ -	\$ -	\$ 41,945	\$ -	100	\$ -	\$ -	\$ -	Note 2
TWMC	Mobile application development and design	96,795	b	157,195	-	-	157,195	152	100	152	112,200	-	
FGE	Wholesaling	1,144,940	b	798,880	-	-	798,880	(22,823)	69.63	(15,892)	15,855	-	
Haobo	Investment	54,758	b	-	-	-	-	15,795	100	15,795	729,579	-	
GHS	Wholesaling	65,072	b	-	-	-	-	90,867	20	15,783	751,671	-	Note 3

Company	Accumulated Investment in Mainland China as of March 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
TWM and subsidiaries	\$1,699,311	\$1,782,646	\$41,796,202

Note 1: The investment types are as follows:

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

Note 2: Xiamen Taifu Teleservices & Technologies Co., Ltd. was dissolved in November 2013 and contributed capital to the parent company, TT&T Holdings.

Note 3: In January 2016, momo's subsidiary acquired 2% equity interests of GHS. The payments for the additional investments were not yet settled as of March 31, 2016.