

# **Taiwan Mobile Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2019 and 2018 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

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

### **Introduction**

We have reviewed the accompanying consolidated financial statements of Taiwan Mobile Co., Ltd. and its subsidiaries (the "Group") as of March 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2019 and 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2019 and 2018 in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34 "Interim Financial Reporting".

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

April 30, 2019

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 ("ROC") and not those of any other jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in Taiwan, the ROC.*

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

# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)		LIABILITIES AND EQUITY	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>							<b>CURRENT LIABILITIES</b>						
Cash and cash equivalents (Notes 6 and 28)	\$ 7,838,557	5	\$ 7,498,710	5	\$ 7,663,871	5	Short-term borrowings (Note 17)	\$ 4,800,000	3	\$ 10,270,000	7	\$ 10,563,466	7
Financial assets at fair value through profit or loss (Note 28)	85,341	-	81,474	-	698,807	-	Short-term notes and bills payable (Note 17)	3,997,896	3	1,498,992	1	3,098,913	2
Financial assets at fair value through other comprehensive income (Note 7)	252,240	-	255,732	-	269,895	-	Contract liabilities (Note 22)	2,021,941	1	2,030,793	1	2,474,721	2
Contract assets (Note 22)	5,227,317	3	5,472,357	4	6,431,049	4	Accounts payable	6,892,836	4	6,756,980	5	7,329,480	5
Accounts and notes receivable, net (Note 8)	7,169,624	5	7,531,858	5	7,680,021	5	Accounts payable due to related parties (Note 28)	141,453	-	179,588	-	211,551	-
Accounts receivable due from related parties (Note 28)	150,200	-	137,958	-	131,138	-	Other payables (Note 28)	7,692,298	5	9,581,496	6	8,509,894	5
Other receivables (Note 28)	1,881,818	1	2,066,105	1	1,264,735	1	Current tax liabilities	3,111,989	2	2,377,000	2	2,828,975	2
Inventories (Note 9)	3,960,296	3	3,945,663	3	3,983,505	3	Provisions (Note 19)	113,491	-	120,334	-	167,564	-
Prepayments (Note 28)	540,997	-	584,799	1	715,330	1	Lease liabilities (Notes 13 and 28)	3,407,191	2	-	-	-	-
Assets held for sale	31,005	-	-	-	-	-	Advance receipts	110,738	-	111,250	-	97,990	-
Other financial assets (Notes 28 and 29)	574,801	-	576,542	-	2,247,950	1	Long-term liabilities, current portion (Notes 17 and 18)	4,803,012	3	6,802,916	5	14,603,028	9
Other current assets (Note 30)	892,167	1	917,689	1	129,385	-	Other current liabilities (Note 28)	2,316,277	2	2,154,154	1	2,255,742	1
<b>Total current assets</b>	<b>28,604,363</b>	<b>18</b>	<b>29,068,887</b>	<b>20</b>	<b>31,215,686</b>	<b>20</b>	<b>Total current liabilities</b>	<b>39,409,122</b>	<b>25</b>	<b>41,883,503</b>	<b>28</b>	<b>52,141,324</b>	<b>33</b>
<b>NON-CURRENT ASSETS</b>							<b>NON-CURRENT LIABILITIES</b>						
Financial assets at fair value through other comprehensive income (Note 7)	5,036,857	3	4,763,899	3	4,421,430	3	Financial liabilities at fair value through profit or loss	-	-	1,861	-	6,961	-
Contract assets (Note 22)	3,259,119	2	3,208,519	2	3,890,682	2	Contract liabilities (Note 22)	52,717	-	56,144	-	68,423	-
Investments accounted for using equity method (Note 10)	1,396,519	1	1,435,607	1	1,462,511	1	Bonds payable (Note 18)	23,450,744	15	24,419,137	17	14,171,289	9
Property, plant and equipment (Note 12)	37,669,597	24	38,855,960	26	40,465,255	26	Long-term borrowings (Note 17)	8,838,598	6	8,889,438	6	12,141,842	8
Right-of-use assets (Notes 13 and 28)	9,868,251	6	-	-	-	-	Provisions (Note 19)	1,420,701	1	1,400,954	1	1,375,808	1
Investment properties (Note 14)	2,988,234	2	2,999,403	2	2,959,073	2	Deferred tax liabilities	932,667	1	917,261	1	871,504	1
Concessions (Notes 15 and 29)	39,824,031	26	40,528,874	27	42,919,830	28	Lease liabilities (Notes 13 and 28)	6,368,976	4	-	-	-	-
Goodwill (Note 15)	15,872,595	10	15,872,595	11	15,845,930	10	Net defined benefit liabilities	483,230	-	510,880	-	407,569	-
Other intangible assets (Note 15)	5,654,598	4	5,774,176	4	5,830,518	4	Guarantee deposits	1,046,326	1	1,013,905	1	977,243	1
Deferred tax assets	798,579	1	806,521	1	919,631	-	Other non-current liabilities	522,195	-	580,249	-	594,949	-
Incremental costs of obtaining a contract (Note 22)	2,660,094	2	2,946,282	2	3,920,540	3	<b>Total non-current liabilities</b>	<b>43,116,154</b>	<b>28</b>	<b>37,789,829</b>	<b>26</b>	<b>30,615,588</b>	<b>20</b>
Other financial assets (Notes 28, 29 and 30)	147,084	-	131,110	-	113,676	-	<b>Total liabilities</b>	<b>82,525,276</b>	<b>53</b>	<b>79,673,332</b>	<b>54</b>	<b>82,756,912</b>	<b>53</b>
Other non-current assets (Notes 16 and 28)	1,426,338	1	1,275,195	1	1,300,849	1	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 21)</b>						
<b>Total non-current assets</b>	<b>126,601,896</b>	<b>82</b>	<b>118,598,141</b>	<b>80</b>	<b>124,049,925</b>	<b>80</b>	Common stock	34,238,338	22	34,208,519	23	34,208,328	22
<b>TOTAL</b>	<b>\$ 155,206,259</b>	<b>100</b>	<b>\$ 147,667,028</b>	<b>100</b>	<b>\$ 155,265,611</b>	<b>100</b>	Capital collected in advance	96,905	-	29,819	-	-	-
							Capital surplus	13,473,333	9	12,580,692	9	13,939,278	9
							Retained earnings						
							Legal reserve	27,558,064	18	27,558,064	19	26,138,846	17
							Special reserve	362,703	-	362,703	-	690,034	-
							Unappropriated earnings	20,058,026	13	16,954,448	11	21,591,123	14
							Other equity interests	237,884	-	(95,381)	-	(410,094)	-
							Treasury stock	(29,717,344)	(19)	(29,717,344)	(20)	(29,717,344)	(19)
							<b>Total equity attributable to owners of the parent</b>	<b>66,307,909</b>	<b>43</b>	<b>61,881,520</b>	<b>42</b>	<b>66,440,171</b>	<b>43</b>
							<b>NON-CONTROLLING INTERESTS (Note 21)</b>	<b>6,373,074</b>	<b>4</b>	<b>6,112,176</b>	<b>4</b>	<b>6,068,528</b>	<b>4</b>
							<b>Total equity</b>	<b>72,680,983</b>	<b>47</b>	<b>67,993,696</b>	<b>46</b>	<b>72,508,699</b>	<b>47</b>
							<b>TOTAL</b>	<b>\$ 155,206,259</b>	<b>100</b>	<b>\$ 147,667,028</b>	<b>100</b>	<b>\$ 155,265,611</b>	<b>100</b>

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

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 22, 28 and 34)	\$ 29,872,673	100	\$ 30,306,319	100
OPERATING COSTS (Notes 9, 28, 32 and 34)	<u>21,681,212</u>	<u>73</u>	<u>21,381,896</u>	<u>71</u>
GROSS PROFIT FROM OPERATIONS	<u>8,191,461</u>	<u>27</u>	<u>8,924,423</u>	<u>29</u>
OPERATING EXPENSES (Notes 28, 32 and 34)				
Marketing	2,689,209	9	2,932,363	10
Administrative	1,334,972	4	1,299,120	4
Expected credit loss	<u>51,658</u>	<u>-</u>	<u>101,115</u>	<u>-</u>
Total operating expenses	<u>4,075,839</u>	<u>13</u>	<u>4,332,598</u>	<u>14</u>
NET OTHER INCOME AND EXPENSES (Note 34)	<u>112,472</u>	<u>-</u>	<u>146,877</u>	<u>1</u>
OPERATING INCOME (Note 34)	<u>4,228,094</u>	<u>14</u>	<u>4,738,702</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 28)	32,336	-	36,010	-
Other gains and losses, net (Notes 23 and 28)	(9,406)	-	(50,234)	-
Finance costs (Notes 23 and 28)	(153,087)	-	(155,754)	(1)
Share of profit (loss) of associates accounted for using equity method	<u>(6,986)</u>	<u>-</u>	<u>(4,892)</u>	<u>-</u>
Total non-operating income and expenses	<u>(137,143)</u>	<u>-</u>	<u>(174,870)</u>	<u>(1)</u>
PROFIT BEFORE TAX	4,090,951	14	4,563,832	15
INCOME TAX EXPENSE (Note 24)	<u>791,977</u>	<u>3</u>	<u>900,501</u>	<u>3</u>
PROFIT	<u>3,298,974</u>	<u>11</u>	<u>3,663,331</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21 and 24)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements from defined benefit plans	-	-	18,302	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	324,207	1	(123,199)	-
Share of other comprehensive income (loss) of associates accounted for using equity method	5,494	-	(331)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation	24,154	-	16,375	-
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>(3,968)</u>	<u>-</u>	<u>(321)</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>349,887</u>	<u>1</u>	<u>(89,174)</u>	<u>-</u>
COMPREHENSIVE INCOME	<u>\$ 3,648,861</u>	<u>12</u>	<u>\$ 3,574,157</u>	<u>12</u>
PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 3,070,973	10	\$ 3,481,360	11
Non-controlling interests	<u>228,001</u>	<u>1</u>	<u>181,971</u>	<u>1</u>
	<u>\$ 3,298,974</u>	<u>11</u>	<u>\$ 3,663,331</u>	<u>12</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 3,404,238	11	\$ 3,387,736	11
Non-controlling interests	<u>244,623</u>	<u>1</u>	<u>186,421</u>	<u>1</u>
	<u>\$ 3,648,861</u>	<u>12</u>	<u>\$ 3,574,157</u>	<u>12</u>
EARNINGS PER SHARE (Note 25)				
Basic earnings per share	<u>\$ 1.13</u>		<u>\$ 1.28</u>	
Diluted earnings per share	<u>\$ 1.10</u>		<u>\$ 1.24</u>	

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

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

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

	Equity Attributable to Owners of the Parent											Non-controlling Interests	Total Equity
	Common Stock	Capital Collected in Advance	Capital Surplus	Retained Earnings			Exchange Differences on Translation	Other Equity Interests		Treasury Stock	Total		
				Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
BALANCE, JANUARY 1, 2018	\$ 34,208,328	\$ -	\$ 13,939,278	\$ 26,138,846	\$ 690,034	\$ 14,735,424	\$ (16,499)	\$ -	\$ (346,204)	\$ (29,717,344)	\$ 59,631,863	\$ 5,879,738	\$ 65,511,601
Effect of retrospective application	-	-	-	-	-	3,354,181	-	(281,785)	346,204	-	3,418,600	(39)	3,418,561
ADJUSTED BALANCE, JANUARY 1, 2018	34,208,328	-	13,939,278	26,138,846	690,034	18,089,605	(16,499)	(281,785)	-	(29,717,344)	63,050,463	5,879,699	68,930,162
Profit for the three months ended March 31, 2018	-	-	-	-	-	3,481,360	-	-	-	-	3,481,360	181,971	3,663,331
Other comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	18,186	8,055	(119,865)	-	-	(93,624)	4,450	(89,174)
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	-	3,499,546	8,055	(119,865)	-	-	3,387,736	186,421	3,574,157
Changes in equity of associates accounted for using equity method	-	-	-	-	-	1,972	-	-	-	-	1,972	2,408	4,380
BALANCE, MARCH 31, 2018	<u>\$ 34,208,328</u>	<u>\$ -</u>	<u>\$ 13,939,278</u>	<u>\$ 26,138,846</u>	<u>\$ 690,034</u>	<u>\$ 21,591,123</u>	<u>\$ (8,444)</u>	<u>\$ (401,650)</u>	<u>\$ -</u>	<u>\$ (29,717,344)</u>	<u>\$ 66,440,171</u>	<u>\$ 6,068,528</u>	<u>\$ 72,508,699</u>
BALANCE, JANUARY 1, 2019	\$ 34,208,519	\$ 29,819	\$ 12,580,692	\$ 27,558,064	\$ 362,703	\$ 16,954,448	\$ (24,398)	\$ (70,983)	\$ -	\$ (29,717,344)	\$ 61,881,520	\$ 6,112,176	\$ 67,993,696
Effect of retrospective application	-	-	-	-	-	32,605	-	-	-	-	32,605	16,275	48,880
ADJUSTED BALANCE, JANUARY 1, 2019	34,208,519	29,819	12,580,692	27,558,064	362,703	16,987,053	(24,398)	(70,983)	-	(29,717,344)	61,914,125	6,128,451	68,042,576
Profit for the three months ended March 31, 2019	-	-	-	-	-	3,070,973	-	-	-	-	3,070,973	228,001	3,298,974
Other comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	-	10,086	323,179	-	-	333,265	16,622	349,887
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	3,070,973	10,086	323,179	-	-	3,404,238	244,623	3,648,861
Convertible bonds converted to common stock	29,819	67,086	892,641	-	-	-	-	-	-	-	989,546	-	989,546
BALANCE, MARCH 31, 2019	<u>\$ 34,238,338</u>	<u>\$ 96,905</u>	<u>\$ 13,473,333</u>	<u>\$ 27,558,064</u>	<u>\$ 362,703</u>	<u>\$ 20,058,026</u>	<u>\$ (14,312)</u>	<u>\$ 252,196</u>	<u>\$ -</u>	<u>\$ (29,717,344)</u>	<u>\$ 66,307,909</u>	<u>\$ 6,373,074</u>	<u>\$ 72,680,983</u>

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

# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	\$ 4,090,951	\$ 4,563,832
Adjustments		
Depreciation expense	3,317,845	2,530,897
Amortization expense	864,492	904,457
Amortization of incremental costs of obtaining contracts	703,442	903,958
Loss on disposal of property, plant and equipment, net	15,967	22,131
Expected credit loss	51,658	101,115
Finance costs	153,087	155,754
Interest income	(15,313)	(19,029)
Share of loss of associates accounted for using equity method	6,986	4,892
Valuation (gain) loss on financial assets and liabilities at fair value through profit or loss	(5,686)	25,847
Others	1,959	(570)
Changes in operating assets and liabilities		
Financial assets mandatorily at fair value through profit or loss	-	609,083
Contract assets	196,082	265,940
Accounts and notes receivable	328,811	201,806
Accounts receivable due from related parties	(4,290)	(27,648)
Other receivables	172,046	544,780
Inventories	(14,633)	348,304
Prepayments	(88,188)	(212,181)
Other current assets	25,651	11,689
Other financial assets	(2,592)	(5,755)
Incremental costs of obtaining a contract	(417,254)	(657,302)
Contract liabilities	(12,279)	(240,029)
Accounts and notes payable	135,856	(657,946)
Accounts payable due to related parties	(38,135)	81,919
Other payables	(1,152,301)	(1,561,559)
Provisions	2,635	(13,899)
Advance receipts	2,048	13,640
Other current liabilities	162,123	97,305
Other non-current liabilities	-	(4,936)
Net defined benefit liabilities	(27,650)	(35,475)
Net cash inflows generated from operating activities	8,453,318	7,951,020
Interest received	183	241
Interest paid	(328)	(310)
Income taxes (paid) refund	(8,239)	6,491
Net cash generated from operating activities	<u>8,444,934</u>	<u>7,957,442</u>

(Continued)

# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	\$ (1,882,768)	\$ (2,574,967)
Acquisition of right-of-use assets	(12,188)	-
Acquisition of intangible assets	(85,637)	(127,820)
Increase in prepayments for equipment	(50,112)	(53,048)
Increase in prepayments for investment	(100,000)	-
Proceeds from disposal of property, plant and equipment	2,847	6,437
Increase (decrease) in advanced receipts from assets disposals	219	(98)
Proceeds from capital return of investments accounted for using equity method	-	31,090
Increase in refundable deposits	(70,081)	(95,759)
Decrease in refundable deposits	59,333	62,785
Increase in other financial assets	(21,874)	(7,189)
Decrease in other financial assets	11,400	575,500
Interest received	13,499	18,277
Dividend received	48,807	-
Net cash used in investing activities	<u>(2,086,555)</u>	<u>(2,164,792)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	(5,470,000)	900,000
Increase (decrease) in short-term notes and bills payable	2,498,725	(2,496,469)
Repayment of long-term borrowings	(2,051,000)	(3,051,000)
Repayment of the principal portion of lease liabilities	(933,727)	-
Increase in guarantee deposits received	75,652	24,254
Decrease in guarantee deposits received	(44,684)	(25,438)
Interest paid	(96,032)	(112,955)
Net cash used in financing activities	<u>(6,021,066)</u>	<u>(4,761,608)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS</b>	<u>2,534</u>	<u>1,285</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	339,847	1,032,327
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>7,498,710</u>	<u>6,631,544</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 7,838,557</u>	<u>\$ 7,663,871</u>

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

(Concluded)



# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. ORGANIZATION AND OPERATIONS

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

TWM received a second-generation (“2G”) mobile telecommunications concession operation license issued by the Directorate General of Telecommunications (“DGT”) of the ROC. The license allows TWM to provide services for 15 years from 1997 onwards. The 2G concession license had been renewed by the National Communications Commission (“NCC”) and terminated on June 30, 2017. TWM received a third-generation (“3G”) concession license issued by the DGT in March 2005, and the 3G concession license terminated on December 31, 2018. TWM participated in the fourth-generation (“4G”) mobile spectrum auctions held by NCC for the need of long-term business development and from April 2014 to June 2018 acquired the concession licenses for the mobile broadband spectrum in the 700, 1800 and 2100MHz frequency bands separately, and the aforementioned licenses are valid until December 2030 and December 2033, respectively.

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

### 2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements on April 30, 2019.

### 3. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

#### IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Please refer to Note 4 for information relating to the relevant accounting policies.

### Definition of a lease

The Group reassesses whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Some contracts, which were previously identified as containing a lease under IAS 17, do not meet the definition of a lease under IFRS 16 and are accounted for in accordance with other standards because the Group does not have the right to direct the use of the identified assets. Contracts that are reassessed as containing a lease are accounted for in accordance with the transitional provisions under IFRS 16.

### The Group as lessee

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

The Group elected to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information was not restated.

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

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

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1%. The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 9,358,238
Less: Recognition exemption for short-term leases	(32,099)
Less: Recognition exemption for leases of low-value assets	(70,201)
Less: Adjustment of application scope under IFRS 16	<u>(356,676)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 8,899,262</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 8,773,930
Add: Adjustments as a result of a different treatment of extension	135,301
Add: Adjustment of application scope under IFRS 16	<u>1,071,615</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 9,980,846</u>

### The Group as lessor

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

The Group subleased its leasehold to a third party. Such sublease was classified as an operating lease under IAS 17. The Group determines the sublease is classified as a finance lease on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019, and the Group accounts for the sublease as a new finance lease entered into at that date.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 was set out as follows:

	<b>Carrying Amount as of December 31, 2018</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2019</b>
<u>Current assets</u>			
Accounts and notes receivable, net (including related parties)	\$ 7,669,816	\$ 14,720	\$ 7,684,536
Other receivables	2,066,105	(116)	2,065,989
Prepayments	584,799	(129,483)	455,316
<u>Non-current assets</u>			
Right-of-use assets	-	10,087,654	10,087,654
Deferred tax assets	806,521	(11,596)	794,925
Other non-current assets	1,275,195	<u>10,454</u>	1,285,649
Total effect on assets		<u>\$ 9,971,633</u>	
<u>Current liabilities</u>			
Other payables	9,581,496	\$ (57,235)	9,524,261
Lease liabilities	-	3,368,348	3,368,348
Advanced receipts	111,250	(1,557)	109,693
<u>Non-current liabilities</u>			
Deferred tax liabilities	917,261	699	917,960
Lease liabilities	-	<u>6,612,498</u>	6,612,498
Total effect on liabilities		<u>\$ 9,922,753</u>	
<u>Equity</u>			
Unappropriated earnings	16,954,448	\$ 32,605	16,987,053
Non-controlling interests	6,112,176	<u>16,275</u>	6,128,451
Total effect on equity		<u>\$ 48,880</u>	

- b. New IFRSs issued by International Accounting Standards Board (“IASB”) but not yet endorsed and issued into effect by the FSC.

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

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

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Except for the following description, the significant accounting policies adopted for the consolidated financial statements are the same as those adopted for the consolidated financial statements for the year ended December 31, 2018.

##### **Statement of Compliance**

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

##### **Basis of Consolidation**

- a. The basis of preparing the consolidated financial statements is the same as that of the consolidated financial statements for the year ended December 31, 2018.

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

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			March 31, 2019	December 31, 2018	March 31, 2018	
TWM	Taiwan Cellular Co., Ltd. (TCC)	Investment	100.00%	100.00%	100.00%	-
	Wealth Media Technology Co., Ltd. (WMT)	Investment	100.00%	100.00%	100.00%	-
	Taipei New Horizon Co., Ltd. (TNH)	Building and operating Songshan Cultural and Creative Park BOT project	49.90%	49.90%	49.90%	-
TCC	Taiwan Fixed Network Co., Ltd. (TFN)	Fixed-line service provider	100.00%	100.00%	100.00%	-
	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service and telephone marketing	100.00%	100.00%	100.00%	-
	TWM Holding Co., Ltd. (TWM Holding)	Investment	100.00%	100.00%	100.00%	-
	TCC Investment Co., Ltd. (TCCI)	Investment	100.00%	100.00%	100.00%	Note 1
	Taiwan Digital Communications Co., Ltd. (TDC)	Mobile phone wholesaling and TV program production	100.00%	100.00%	100.00%	Note 2
	Taiwan Digital Service Co., Ltd. (TDS)	Commissioned maintenance service	100.00%	100.00%	100.00%	-
	Taihsin Property Insurance Agent Co., Ltd. (TPIAC)	Property insurance agent	100.00%	100.00%	100.00%	-
	Tai-Fu Cloud Co., Ltd. (TFC)	Type II Telecommunications Business	100.00%	100.00%	100.00%	-
WMT	TFN Media Co., Ltd. (TFNM)	Type II Telecommunications Business	100.00%	100.00%	100.00%	-
	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00%	100.00%	100.00%	-
	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00%	100.00%	100.00%	-
	Win TV Broadcasting Co., Ltd. (WTVB)	TV program provider	100.00%	100.00%	100.00%	-
TFN	momo.com Inc. (momo)	Wholesale and retail sales	45.01%	45.01%	45.01%	-
	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00%	100.00%	100.00%	Note 1
	TFN HK Ltd.	Telecommunication service provider	100.00%	100.00%	100.00%	Note 2
TWM Holding	TWM Communications (Beijing) Co., Ltd. (TWMC)	Mobile application development and design	100.00%	100.00%	100.00%	-
TCCI	TCCI Investment and Development Co., Ltd. (TID)	Investment	100.00%	100.00%	100.00%	Note 1
TFNM	Taiwan Kuro Times Co., Ltd. (TKT)	Online music service	100.00%	100.00%	100.00%	-
	Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Cable TV service provider	100.00%	100.00%	100.00%	-
	Mangrove Cable TV Co., Ltd. (MCTV)	Cable TV service provider	29.53%	29.53%	29.53%	Note 3
	Phoenix Cable TV Co., Ltd. (PCTV)	Cable TV service provider	100.00%	100.00%	100.00%	-
	Union Cable TV Co., Ltd. (UCTV)	Cable TV service provider	99.22%	99.22%	99.22%	-
	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV service provider	92.38%	92.38%	92.38%	-
GFMT	UCTV	Cable TV service provider	0.76%	0.76%	0.76%	-
GWMT	GCTV	Cable TV service provider	6.83%	6.83%	6.83%	-
momo	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	81.99%	81.99%	76.26%	Note 4

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			March 31, 2019	December 31, 2018	March 31, 2018	
momo	Honest Development Co., Ltd. (Honest Development)	Investment	100.00%	100.00%	100.00%	
	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.00%	100.00%	100.00%	-
	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.00%	100.00%	100.00%	-
	Fu Sheng Travel Service Co., Ltd. (FST)	Travel agent	100.00%	100.00%	100.00%	-
	Bebe Poshe International Co., Ltd. (Bebe Poshe)	Wholesale of cosmetics	85.00%	85.00%	-	Note 5
Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.00%	100.00%	100.00%	-
Honest Development	Hongkong Yue Numerous Investment Co., Ltd. (HK Yue Numerous)	Investment	100.00%	100.00%	100.00%	-
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.00%	100.00%	100.00%	-
HK Yue Numerous	Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo)	Investment	100.00%	100.00%	100.00%	-
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	93.55%	93.55%	91.30%	Note 4

(Concluded)

Note 1: TCCI, TUI and TID collectively owned 698,752 thousand shares of TWM representing 20.35% of total outstanding shares as of March 31, 2019.

Note 2: TDC and TFN HK Ltd. are under liquidation procedures.

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

Note 4: In August 2018, momo and its subsidiaries increased the capital of Asian Crown (BVI) to invest in FGE. Due to the non-proportional investment in capital increase, momo's ownership percentage in Asian Crown (BVI) and in FGE increased.

Note 5: In the third quarter of 2018, momo paid \$85,000 thousand in cash to acquire control over Bebe Poshe and included Bebe Poshe in the consolidated financial statements.

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

## Leases

### 2019

At inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a. The Group as lessor

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Under finance leases, the lease payments comprise fixed payments and in-substance fixed payments. The net investment in a lease is measured at the present value of the sum of the lease payments receivable by a lessor and is presented as a finance lease receivable. Finance lease income is allocated

to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments from operating leases are recognized on a straight-line basis over the terms of the relevant leases.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The entire lease is classified as an operating lease when it is clear that both elements are operating leases.

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date and an estimate of costs needed to restore the underlying assets. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier dates of the end of the useful lives of the right-of-use assets or the end of the lease term.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments and variable lease payments which depend on an index. The lease payments are discounted using the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index are recognized as expenses in the periods in which they are incurred.

2018

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

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

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

## Employee Benefits

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

## Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim-period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the profit before tax of the interim-period. When tax rate changes during the interim period, the effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence. The effect of the change in tax rate relating to transactions recognized outside profit or loss is recognized as other comprehensive income in full in the period in which the change in tax rate occurs. The effect of the change in tax rate relating to transactions recognized in profit or loss is included in estimating the average annual income tax rate, and consequently recognized throughout the interim period.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Except for the following description, the same critical accounting judgments and key sources of estimation uncertainty have been followed when preparing these interim consolidated financial statements as those that were applied in the preparation of the consolidated financial statements for the year ended December 31, 2018.

### Lease terms - 2019

In determining a lease term, the Group considers all facts and circumstances that create an economic incentive to exercise or not to exercise an option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option. Main factors considered include contractual terms and conditions for the optional periods, significant leasehold improvements undertaken over the contract term, the importance of the underlying asset to the lessee's operations, etc. The lease term is reassessed if a significant change in circumstances that are within control of the Group occur.

## 6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand and revolving funds	\$ 138,842	\$ 156,900	\$ 69,801
Cash in banks	2,847,135	3,603,620	2,416,485
Time deposits	2,330,539	1,588,020	2,960,469
Government bonds with repurchase rights	<u>2,522,041</u>	<u>2,150,170</u>	<u>2,217,116</u>
	<u>\$ 7,838,557</u>	<u>\$ 7,498,710</u>	<u>\$ 7,663,871</u>



## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Investments in equity instruments - current</u>			
Domestic investments			
Listed stocks	\$ 238,000	\$ 245,607	\$ 245,607
Foreign investments			
Unlisted stocks	<u>14,240</u>	<u>10,125</u>	<u>24,288</u>
	<u>\$ 252,240</u>	<u>\$ 255,732</u>	<u>\$ 269,895</u>
<u>Investments in equity instruments - non-current</u>			
Domestic investments			
Listed stocks	\$ 4,329,908	\$ 3,778,949	\$ 3,375,809
Unlisted stocks	173,923	181,178	176,640
Foreign investments			
Limited partnerships	503,637	775,385	842,386
Unlisted stocks	<u>29,389</u>	<u>28,387</u>	<u>26,595</u>
	<u>\$ 5,036,857</u>	<u>\$ 4,763,899</u>	<u>\$ 4,421,430</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believed that recognizing short-term fluctuations from these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

## 8. ACCOUNTS AND NOTES RECEIVABLE, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Notes receivable	\$ 140,910	\$ 175,658	\$ 61,630
Accounts receivable	7,448,209	7,820,249	8,100,388
Less: Allowance for impairment loss	<u>(419,495)</u>	<u>(464,049)</u>	<u>(481,997)</u>
	<u>\$ 7,169,624</u>	<u>\$ 7,531,858</u>	<u>\$ 7,680,021</u>

The main credit terms range from 30 to 90 days.

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

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

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECLs). The ECLs on trade receivables are estimated using a provision matrix with reference to past default experiences of the customers and an analysis of the customers' current financial positions, as well as forward-looking indicators such as the industrial economic conditions. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision matrix does not distinguish customer segments. As a result, the expected credit loss rate is based on the number of past due days of trade receivables.

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

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

#### March 31, 2019

	Not Past Due	Overdue			Total
		1 to 120 days	121 to 365 days	Over 365 days	
Gross carrying amount	\$ 6,914,896	\$ 405,572	\$ 262,965	\$ 5,686	\$ 7,589,119
Loss allowance (Lifetime ECL)	<u>(53,496)</u>	<u>(111,461)</u>	<u>(248,864)</u>	<u>(5,674)</u>	<u>(419,495)</u>
Amortized cost	<u>\$ 6,861,400</u>	<u>\$ 294,111</u>	<u>\$ 14,101</u>	<u>\$ 12</u>	<u>\$ 7,169,624</u>

#### December 31, 2018

	Not Past Due	Overdue			Total
		1 to 120 days	121 to 365 days	Over 365 days	
Gross carrying amount	\$ 7,269,513	\$ 458,984	\$ 261,723	\$ 5,687	\$ 7,995,907
Loss allowance (Lifetime ECL)	<u>(56,022)</u>	<u>(154,752)</u>	<u>(247,788)</u>	<u>(5,487)</u>	<u>(464,049)</u>
Amortized cost	<u>\$ 7,213,491</u>	<u>\$ 304,232</u>	<u>\$ 13,935</u>	<u>\$ 200</u>	<u>\$ 7,531,858</u>

#### March 31, 2018

	Not Past Due	Overdue			Total
		1 to 120 days	121 to 365 days	Over 365 days	
Gross carrying amount	\$ 7,443,826	\$ 436,157	\$ 281,809	\$ 226	\$ 8,162,018
Loss allowance (Lifetime ECL)	<u>(56,731)</u>	<u>(162,034)</u>	<u>(263,006)</u>	<u>(226)</u>	<u>(481,997)</u>
Amortized cost	<u>\$ 7,387,095</u>	<u>\$ 274,123</u>	<u>\$ 18,803</u>	<u>\$ -</u>	<u>\$ 7,680,021</u>

Expected credit loss rates of the Group for the aforementioned periods were as follows:

	<b>Not Past Due and Past Due within 120 Days</b>	<b>Past Due Over 120 Days</b>
Telecommunications service	0.02%-85%	65.5%-100%
Retail business and others	below 10%	35%-100%

Movements of the loss allowance of notes and accounts receivable were as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 464,049	\$ 468,474
Add: Provision	52,378	102,874
Recovery	12,853	13,636
Less: Write-off	<u>(109,785)</u>	<u>(102,987)</u>
Ending balance	<u>\$ 419,495</u>	<u>\$ 481,997</u>

## 9. INVENTORIES

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Merchandise	\$ 3,952,862	\$ 3,936,724	\$ 3,971,476
Materials for maintenance	<u>7,434</u>	<u>8,939</u>	<u>12,029</u>
	<u>\$ 3,960,296</u>	<u>\$ 3,945,663</u>	<u>\$ 3,983,505</u>

For the three months ended March 31, 2019 and 2018, the cost of goods sold recognized in consolidated comprehensive income amounted to \$14,207,429 thousand and \$13,339,868 thousand, respectively, which included the reversal of inventory write-down, totaling \$14,361 thousand and \$9,379 thousand, respectively.

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Associates, which were not individually material and were accounted for using equity method, were as follows:

Investee Company	<u>March 31, 2019</u>		<u>December 31, 2018</u>		<u>March 31, 2018</u>	
	Amount	% of Owner- ship	Amount	% of Owner- ship	Amount	% of Owner- ship
Global Home Shopping Co., Ltd. (GHS)	\$ 727,482	20.00	\$ 766,529	20.00	\$ 746,964	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	395,772	17.70	385,706	17.70	407,499	17.70
kbro Media Co., Ltd. (kbro Media)	148,914	32.50	154,847	32.50	177,259	32.50
TVD Shopping Co., Ltd. (TVD Shopping)	118,789	35.00	119,889	35.00	119,002	35.00
Alliance Digital Tech Co., Ltd. (ADT)	<u>5,562</u>	14.40	<u>8,636</u>	14.40	<u>11,787</u>	14.40
	<u>\$ 1,396,519</u>		<u>\$ 1,435,607</u>		<u>\$ 1,462,511</u>	

a. GHS

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

Due to non-participation in GHS's capital increase in October 2015, momo's subsidiary's percentage of ownership interests in GHS decreased to 18%. In January 2016, momo's subsidiary's percentage of ownership interests in GHS increased to 20% due to the acquisition of additional 2% equity interests of GHS.

b. TPE

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

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

c. TVD Shopping

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

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

d. ADT

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

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

ADT had resolved was on December 31, 2018 as the dissolution date. As of March 31, 2019, ADT was still under liquidation procedures.

## 11. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Subsidiary	Proportion of Non-controlling Interests' Ownership and Voting Rights		
	March 31, 2019	December 31, 2018	March 31, 2018
momo	54.99%	54.99%	54.99%

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

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Current assets	\$ 6,339,731	\$ 6,168,249	\$ 5,329,555
Non-current assets	14,205,990	13,531,769	13,561,063
Current liabilities	(5,629,214)	(5,772,994)	(4,961,936)
Non-current liabilities	<u>(815,788)</u>	<u>(281,454)</u>	<u>(268,113)</u>
Equity	<u>\$ 14,100,719</u>	<u>\$ 13,645,570</u>	<u>\$ 13,660,569</u>
Equity attributable to:			
Owners of the parent	\$ 9,523,862	\$ 9,318,968	\$ 9,340,392
Non-controlling interests of momo	4,555,276	4,305,001	4,331,171
Non-controlling interests of momo's subsidiaries	<u>21,581</u>	<u>21,601</u>	<u>(10,994)</u>
	<u>\$ 14,100,719</u>	<u>\$ 13,645,570</u>	<u>\$ 13,660,569</u>
		<b>For the Three Months Ended March 31</b>	
		<b>2019</b>	<b>2018</b>
Operating revenues		<u>\$ 11,735,627</u>	<u>\$ 10,183,809</u>
Profit		\$ 395,590	\$ 306,963
Other comprehensive income		<u>30,033</u>	<u>8,247</u>
Comprehensive income		<u>\$ 425,623</u>	<u>\$ 315,210</u>
Profit (loss) attributable to:			
Owners of the parent		\$ 178,232	\$ 138,880
Non-controlling interests of momo		217,707	169,641
Non-controlling interests of momo's subsidiaries		<u>(349)</u>	<u>(1,558)</u>
		<u>\$ 395,590</u>	<u>\$ 306,963</u>
Comprehensive income (loss) attributable to:			
Owners of the parent		\$ 191,643	\$ 142,684
Non-controlling interests of momo		234,088	174,286
Non-controlling interests of momo's subsidiaries		<u>(108)</u>	<u>(1,760)</u>
		<u>\$ 425,623</u>	<u>\$ 315,210</u>
Net cash generated from operating activities		\$ 445,107	\$ 817,162
Net cash generated from (used in) investing activities		6,783	(501,246)
Net cash generated from (used in) financing activities		(56,408)	325
Effect of exchange rate changes		<u>528</u>	<u>37</u>
Net increase in cash		<u>\$ 396,010</u>	<u>\$ 316,278</u>

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Telecommuni- cations Equipment and Machinery	Others	Construction in Progress and Equipment to Be Inspected	Total
<u>Cost</u>						
Balance, January 1, 2019	\$ 8,289,085	\$ 5,672,957	\$ 87,623,044	\$ 9,346,834	\$ 1,349,217	\$ 112,281,137
Additions	-	1,116	68,977	67,099	1,076,857	1,214,049
Reclassification	(13,842)	(17,117)	1,115,721	36,344	(1,157,800)	(36,694)
Disposals and retirements	(562)	(1,523)	(256,476)	(52,505)	-	(311,066)
Effect of exchange rate changes	-	-	2,021	132	-	2,153
Balance, March 31, 2019	<u>\$ 8,274,681</u>	<u>\$ 5,655,433</u>	<u>\$ 88,553,287</u>	<u>\$ 9,397,904</u>	<u>\$ 1,268,274</u>	<u>\$ 113,149,579</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2019	\$ 1,662	\$ 1,499,982	\$ 64,521,396	\$ 7,402,137	\$ -	\$ 73,425,177
Depreciation	-	40,389	2,022,748	288,107	-	2,351,244
Reclassification	-	(6,048)	-	-	-	(6,048)
Disposals and retirements	-	(617)	(240,209)	(51,426)	-	(292,252)
Effect of exchange rate changes	-	-	1,766	95	-	1,861
Balance, March 31, 2019	<u>\$ 1,662</u>	<u>\$ 1,533,706</u>	<u>\$ 66,305,701</u>	<u>\$ 7,638,913</u>	<u>\$ -</u>	<u>\$ 75,479,982</u>
Carrying amount, January 1, 2019	<u>\$ 8,287,423</u>	<u>\$ 4,172,975</u>	<u>\$ 23,101,648</u>	<u>\$ 1,944,697</u>	<u>\$ 1,349,217</u>	<u>\$ 38,855,960</u>
Carrying amount, March 31, 2019	<u>\$ 8,273,019</u>	<u>\$ 4,121,727</u>	<u>\$ 22,247,586</u>	<u>\$ 1,758,991</u>	<u>\$ 1,268,274</u>	<u>\$ 37,669,597</u>
<u>Cost</u>						
Balance, January 1, 2018	\$ 8,250,857	\$ 5,552,706	\$ 84,505,063	\$ 8,924,688	\$ 1,766,195	\$ 108,999,509
Additions	-	6,932	50,799	134,834	1,233,713	1,426,278
Reclassification	-	42,020	1,179,202	197,994	(1,432,253)	(13,037)
Disposals and retirements	-	-	(204,171)	(198,257)	(215)	(402,643)
Effect of exchange rate changes	-	-	1,490	97	-	1,587
Balance, March 31, 2018	<u>\$ 8,250,857</u>	<u>\$ 5,601,658</u>	<u>\$ 85,532,383</u>	<u>\$ 9,059,356</u>	<u>\$ 1,567,440</u>	<u>\$ 110,011,694</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2018	\$ 83,426	\$ 1,369,660	\$ 59,427,788	\$ 6,515,214	\$ -	\$ 67,396,088
Depreciation	-	38,631	2,156,635	330,669	-	2,525,935
Reclassification	-	-	(1,061)	-	-	(1,061)
Disposals and retirements	-	-	(180,970)	(194,842)	-	(375,812)
Effect of exchange rate changes	-	-	1,232	57	-	1,289
Balance, March 31, 2018	<u>\$ 83,426</u>	<u>\$ 1,408,291</u>	<u>\$ 61,403,624</u>	<u>\$ 6,651,098</u>	<u>\$ -</u>	<u>\$ 69,546,439</u>
Carrying amount, March 31, 2018	<u>\$ 8,167,431</u>	<u>\$ 4,193,367</u>	<u>\$ 24,128,759</u>	<u>\$ 2,408,258</u>	<u>\$ 1,567,440</u>	<u>\$ 40,465,255</u>

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

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

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets - 2019

	<b>March 31, 2019</b>
<u>Carrying amounts</u>	
Land	\$ 595,848
Buildings	8,132,951
Telecommunications equipment and machinery	1,066,008
Others	<u>73,444</u>
	<u>\$ 9,868,251</u>
	<b>For the Three Months Ended March 31, 2019</b>
Additions to right-of-use assets	<u>\$ 759,904</u>
Depreciation charge for right-of-use assets	
Land	\$ 57,668
Buildings	835,392
Telecommunications equipment and machinery	51,357
Others	<u>17,110</u>
	<u>\$ 961,527</u>

#### b. Lease liabilities - 2019

	<b>March 31, 2019</b>
<u>Carrying amounts</u>	
Current	<u>\$ 3,407,191</u>
Non-current	<u>\$ 6,368,976</u>

Range of discount rate for lease liabilities was as follows:

	<b>March 31, 2019</b>
Land	0.86%-1%
Buildings	0.86%-5.44%
Telecommunications equipment and machinery	0.86%-4.38%
Others	0.86%-5.44%

c. Material lease-in activities and terms

The Group leases base transceiver stations, machine rooms, stores, offices, warehouses, maintenance centers, telecommunications equipment, etc., with most lease terms of 1 to 6 years. The Group does not have bargain purchase options to acquire the leasehold assets at the end of the lease terms. In addition, the Group is prohibited from subleasing all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 14.

2019

	<b>For the Three Months Ended March 31, 2019</b>
Expenses relating to short-term leases	<u>\$ 19,090</u>
Expenses relating to low-value asset leases	<u>\$ 17,922</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 9,665</u>
Total cash outflow for leases	<u>\$ (1,016,805)</u>

The Group leases certain buildings, which qualify as short-term leases, and certain office equipment and other assets, which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and, thus, not to recognize right-of-use assets and lease liabilities for these leases.

The amount of lease commitments for short-term leases, for which the recognition exemption is applied, is \$18,527 thousand.

2018

Non-cancellable rental payables of operating leases were as follows:

	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Less than one year	\$ 3,440,873	\$ 3,158,637
Between one and five years	5,876,088	5,342,813
More than five years	<u>41,277</u>	<u>69,808</u>
	<u>\$ 9,358,238</u>	<u>\$ 8,571,258</u>

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



The payments of leases and subleases were as follows:

	<b>For the Three Months Ended March 31, 2018</b>
Minimum lease payments	\$ 948,560
Receipts from subleases	<u>(2,858)</u>
	<u>\$ 945,702</u>

#### 14. INVESTMENT PROPERTIES

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

The fair values of investment properties were measured using Level 3 inputs, using income approach, comparative approach, and cost approach by HomeBan Appraisers Joint Firm. As of March 31, 2019, December 31, 2018 and March 31, 2018, the fair values of investment properties were \$6,971,613 thousand, \$6,979,581 thousand and \$6,720,308 thousand, respectively, and the capitalization rates for the aforementioned financial reporting periods were 1.32%-5.23%, 1.32%-5.23% and 0.94%-5.23%, respectively.

The amounts of depreciation recognized for the three months ended March 31, 2019 and 2018 were \$5,074 thousand and \$4,962 thousand, respectively.

The maturity analysis of lease payments receivable under operating leases of investment properties as of March 31, 2019 was as follows:

	<b>March 31, 2019</b>
Year 1	\$ 154,767
Year 2	150,446
Year 3	136,950
Year 4	130,410
Year 5	45,179
Year 6 and thereafter	<u>69,968</u>
	<u>\$ 687,720</u>

The Group leases out investment properties under operating leases. The future minimum lease payment receivables under non-cancellable leases as of December 31 and March 31, 2018 are as follows:

	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Less than one year	\$ 152,807	\$ 145,389
Between one and five years	502,272	543,410
More than five years	<u>79,298</u>	<u>114,699</u>
	<u>\$ 734,377</u>	<u>\$ 803,498</u>

## 15. INTANGIBLE ASSETS

	Concessions		Goodwill	Other Intangible Assets					Total
	Concession Licenses	Service Concessions		Computer Software	Customer Relationships	Operating Rights	Trademarks	Copyrights	
<b>Cost</b>									
Balance, January 1, 2019	\$ 41,043,375	\$ 8,180,078	\$ 15,872,595	\$ 3,907,630	\$ 2,654,089	\$ 1,382,000	\$ 2,517,866	\$ 15,222	\$ 75,572,855
Addition	-	-	-	24,666	-	-	-	2,189	26,855
Disposals and retirements	-	-	-	(129,656)	-	-	-	-	(129,656)
Reclassification	-	-	-	13,110	-	-	-	-	13,110
Effect of exchange rate changes	-	-	-	335	-	-	-	-	335
Balance, March 31, 2019	<u>\$ 41,043,375</u>	<u>\$ 8,180,078</u>	<u>\$ 15,872,595</u>	<u>\$ 3,816,085</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,866</u>	<u>\$ 17,411</u>	<u>\$ 75,483,499</u>
<b>Accumulated amortization and impairment</b>									
Balance, January 1, 2019	\$ 7,663,274	\$ 1,031,305	\$ -	\$ 3,176,937	\$ 1,510,663	\$ -	\$ 1,493	\$ 13,538	\$ 13,397,210
Amortization	660,163	44,680	-	122,060	34,100	-	37	3,452	864,492
Disposals and retirements	-	-	-	(129,656)	-	-	-	-	(129,656)
Effect of exchange rate changes	-	-	-	229	-	-	-	-	229
Balance, March 31, 2019	<u>\$ 8,323,437</u>	<u>\$ 1,075,985</u>	<u>\$ -</u>	<u>\$ 3,169,570</u>	<u>\$ 1,544,763</u>	<u>\$ -</u>	<u>\$ 1,530</u>	<u>\$ 16,990</u>	<u>\$ 14,132,275</u>
Carrying amount, January 1, 2019	<u>\$ 33,380,101</u>	<u>\$ 7,148,773</u>	<u>\$ 15,872,595</u>	<u>\$ 730,693</u>	<u>\$ 1,143,426</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,373</u>	<u>\$ 1,684</u>	<u>\$ 62,175,645</u>
Carrying amount, March 31, 2019	<u>\$ 32,719,938</u>	<u>\$ 7,104,093</u>	<u>\$ 15,872,595</u>	<u>\$ 646,515</u>	<u>\$ 1,109,326</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,336</u>	<u>\$ 421</u>	<u>\$ 61,351,224</u>
<b>Cost</b>									
Balance, January 1, 2018	\$ 51,324,375	\$ 8,180,078	\$ 15,845,930	\$ 3,529,068	\$ 2,654,089	\$ 1,382,000	\$ 2,517,866	\$ -	\$ 85,433,406
Addition	-	-	-	77,922	-	-	-	344	78,266
Disposals and retirements	-	-	-	(40,345)	-	-	-	-	(40,345)
Reclassification	-	-	-	49,549	-	-	-	-	49,549
Effect of exchange rate changes	-	-	-	247	-	-	-	-	247
Balance, March 31, 2018	<u>\$ 51,324,375</u>	<u>\$ 8,180,078</u>	<u>\$ 15,845,930</u>	<u>\$ 3,616,441</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,866</u>	<u>\$ 344</u>	<u>\$ 85,521,123</u>
<b>Accumulated amortization and impairment</b>									
Balance, January 1, 2018	\$ 14,981,287	\$ 852,586	\$ -	\$ 2,851,117	\$ 1,374,263	\$ -	\$ 1,333	\$ -	\$ 20,060,586
Amortization	706,070	44,680	-	119,566	34,100	-	41	-	904,457
Disposals and retirements	-	-	-	(40,345)	-	-	-	-	(40,345)
Effect of exchange rate changes	-	-	-	147	-	-	-	-	147
Balance, March 31, 2018	<u>\$ 15,687,357</u>	<u>\$ 897,266</u>	<u>\$ -</u>	<u>\$ 2,930,485</u>	<u>\$ 1,408,363</u>	<u>\$ -</u>	<u>\$ 1,374</u>	<u>\$ -</u>	<u>\$ 20,924,845</u>
Carrying amount, March 31, 2018	<u>\$ 35,637,018</u>	<u>\$ 7,282,812</u>	<u>\$ 15,845,930</u>	<u>\$ 685,956</u>	<u>\$ 1,245,726</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,492</u>	<u>\$ 344</u>	<u>\$ 64,596,278</u>

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

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

### a. Service concessions

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

### b. Customer relationships, operating rights, and trademarks

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

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Telecommunications 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>5,006,231</u>	<u>5,006,231</u>	<u>4,979,566</u>
	<u>\$ 15,872,595</u>	<u>\$ 15,872,595</u>	<u>\$ 15,845,930</u>

d. Impairment of assets

See Note 16 (e) to the consolidated financial statements for the year ended December 31, 2018 for the related information on impairment of assets. There was no significant evidence indicating impairment of intangible assets as of March 31, 2019.

## 16. OTHER NON-CURRENT ASSETS

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Long-term accounts receivable	\$ 113,506	\$ 101,740	\$ 63,649
Refundable deposits	635,229	634,512	641,188
Prepayments for investment	100,000	-	-
Prepayments for equipment	65,423	29,256	90,179
Others	<u>512,180</u>	<u>509,687</u>	<u>505,833</u>
	<u>\$ 1,426,338</u>	<u>\$ 1,275,195</u>	<u>\$ 1,300,849</u>

## 17. BORROWINGS

### a. Short-term borrowings

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Unsecured loans	<u>\$ 4,800,000</u>	<u>\$ 10,270,000</u>	<u>\$ 10,563,466</u>
Annual interest rate	0.7%-0.96%	0.7%-0.96%	0.6%-5.44%

For the information on endorsements and guarantees, see Note 30 (b).

### b. Short-term notes and bills payable

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Short-term notes and bills payable	\$ 4,000,000	\$ 1,500,000	\$ 3,100,000
Less: Discount on short-term notes and bills payable	<u>(2,104)</u>	<u>(1,008)</u>	<u>(1,087)</u>
	<u>\$ 3,997,896</u>	<u>\$ 1,498,992</u>	<u>\$ 3,098,913</u>
Annual interest rate	0.618%-0.648%	0.788%-0.798%	0.528%-0.76%

### c. Long-term borrowings

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Unsecured loans	\$ 6,000,000	\$ 8,000,000	\$ 16,000,000
Secured loans	3,141,843	3,192,674	3,345,141
Less: Current portion	<u>(303,245)</u>	<u>(2,303,236)</u>	<u>(7,203,299)</u>
	<u>\$ 8,838,598</u>	<u>\$ 8,889,438</u>	<u>\$ 12,141,842</u>
Annual interest rate:			
Unsecured loans	0.72%-0.76%	0.75%-1.07%	0.72%-1.26%
Secured loans	2.0337%	2.0337%	2.0337%

#### 1) Unsecured loans

The Group entered into credit facility agreements with a group of banks for mid-term requirements of operating capital, and the interest is paid periodically. Under certain credit agreements, the loans are treated as revolving credit facilities, and the maturity dates of the loans are based on terms under the agreements. In addition, the expiry date of the repayments is in July 2021, and some credit facilities are subject to financial covenants regarding debt ratios and interest protection multiples during the credit facility period.

2) Secured loans

TNH entered into a syndicated loan agreement, with respect to the investment under the aforementioned BOT contract. The credit agreement originally signed in 2010 has been early terminated. TNH signed another credit agreement with Bank of Taiwan for a \$3,400,000 thousand credit amount and a \$65,000 thousand guarantee amount on September 5, 2017. The agreement started from the date of the first drawdown of the loan and would last for 7 years with interest payments made on a monthly basis. In accordance with the loan agreement, the regular financial covenants, e.g. current ratio, equity ratio, and interest protection multiples, must be complied with during the credit facility period. For property under the BOT contract and its superficies that have been pledged as collateral, see Note 29.

**18. BONDS PAYABLE**

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
3rd domestic unsecured straight corporate bonds	\$ 4,499,767	\$ 4,499,680	\$ 8,999,147
4th domestic unsecured straight corporate bonds	-	-	2,900,000
5th domestic unsecured straight corporate bonds	14,986,988	14,986,357	-
3rd domestic unsecured convertible bonds	8,463,756	9,432,780	9,671,871
Less: Current portion	<u>(4,499,767)</u>	<u>(4,499,680)</u>	<u>(7,399,729)</u>
	<u>\$ 23,450,744</u>	<u>\$ 24,419,137</u>	<u>\$ 14,171,289</u>

a. 3rd domestic unsecured straight corporate bonds

On December 20, 2012, TWM issued \$9,000,000 thousand of seven-year 3rd domestic unsecured bonds; each bond had a face value of \$10,000 thousand and a coupon rate of 1.34% per annum, with simple interest due annually. Repayment will be made in the sixth and seventh years in equal installments, i.e., \$4,500,000 thousand. As of March 31, 2019, the amount of unamortized bond issue cost was \$233 thousand. The trustee of bond holders is Hua Nan Commercial Bank.

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

<b>Year</b>	<b>Amount</b>
In the fourth quarter of 2019	<u>\$ 4,500,000</u>

b. 4th domestic unsecured straight corporate bonds

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

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

c. 5th domestic unsecured straight corporate bonds

On April 20, 2018, TWM issued 5th domestic unsecured straight corporate bonds. The bonds included five-year and seven-year bonds, with the principal amount of \$6,000,000 thousand and \$9,000,000 thousand, each having a face value of \$10,000 thousand, and coupon rates of 0.848% and 1% per annum, respectively, with simple interest due annually. Repayment will be made in full at maturity. As of March 31, 2019, the amount of unamortized bond issue cost was \$13,012 thousand. The trustee of bond holders is Bank of Taiwan.

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

<b>Year</b>	<b>Amount</b>
2023	\$ 6,000,000
2025	<u>9,000,000</u>
	<u>\$ 15,000,000</u>

d. 3rd domestic unsecured convertible bonds

On November 22, 2016, TWM issued its 3rd domestic five-year unsecured zero-coupon convertible bonds with an aggregate principal amount of \$10,000,000 thousand and a par value of \$100 thousand per bond certificate. The conversion price was set initially at \$116.1 per share. The conversion price should be adjusted according to the prescribed formula and has been adjusted to \$104.7 per share since July 16, 2018. Except for the book closure period, bondholders are entitled to convert bonds into TWM's common stock from December 23, 2016 to November 22, 2021. The trustee of bond holders is Bank of Taiwan.

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

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

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 0.9149% per annum on initial recognition. As of March 31, 2019, the amount of unamortized bond discount was \$207,444 thousand.

Proceeds of the issuance (minus transaction costs \$10,870 thousand)	\$ 9,989,130
Equity component	(400,564)
Financial liabilities	<u>(35,961)</u>
Liability component at the date of issuance	9,552,605
Interest charged at an effective interest rate	<u>119,266</u>

Liability component on March 31, 2018	<u>\$ 9,671,871</u>
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Liability component on January 1, 2019	\$ 9,432,780
Interest charged at an effective interest rate	20,480
Convertible bonds converted into common stock	<u>(989,504)</u>

Liability component on March 31, 2019	<u>\$ 8,463,756</u>
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As of March 31, 2019, the bondholders had requested to convert the bonds at face value of \$1,328,800 thousand.

## 19. PROVISIONS

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Restoration	\$ 1,186,767	\$ 1,184,823	\$ 1,201,094
Decommissioning	283,004	268,536	227,162
Warranties	<u>64,421</u>	<u>67,929</u>	<u>115,116</u>
	<u>\$ 1,534,192</u>	<u>\$ 1,521,288</u>	<u>\$ 1,543,372</u>
Current	\$ 113,491	\$ 120,334	\$ 167,564
Non-current	<u>1,420,701</u>	<u>1,400,954</u>	<u>1,375,808</u>
	<u>\$ 1,534,192</u>	<u>\$ 1,521,288</u>	<u>\$ 1,543,372</u>

	<b>Restoration</b>	<b>Decom- missioning</b>	<b>Warranties</b>	<b>Total</b>
Balance, January 1, 2019	\$ 1,184,823	\$ 268,536	\$ 67,929	\$ 1,521,288
Provision	13,756	12,558	21,419	47,733
Payment/Reversal	(12,892)	-	(24,927)	(37,819)
Unwinding of discount	<u>1,080</u>	<u>1,910</u>	<u>-</u>	<u>2,990</u>
Balance, March 31, 2019	<u>\$ 1,186,767</u>	<u>\$ 283,004</u>	<u>\$ 64,421</u>	<u>\$ 1,534,192</u>
Balance, January 1, 2018	\$ 1,208,093	\$ 213,372	\$ 128,412	\$ 1,549,877
Provision	13,410	12,240	30,464	56,114
Payment/Reversal	(21,785)	-	(43,760)	(65,545)
Unwinding of discount	<u>1,376</u>	<u>1,550</u>	<u>-</u>	<u>2,926</u>
Balance, March 31, 2018	<u>\$ 1,201,094</u>	<u>\$ 227,162</u>	<u>\$ 115,116</u>	<u>\$ 1,543,372</u>

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

Domestic firms of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed and defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The employees of the Group's subsidiaries in other countries are participants of state-managed retirement benefit plans operated by local governments. In accordance with the above provision, the Group's contribution to the pension plan amounted to \$77,399 thousand and \$76,518 thousand for the three months ended March 31, 2019 and 2018, respectively.

### b. Defined benefit plan

The Group recognized pension amount of \$1,969 thousand and \$1,996 thousand for the three months ended March 31, 2019 and 2018, respectively, by using the actuarially determined pension cost rate.

## 21. EQUITY

### a. Common stock

As of March 31, 2019, December 31, 2018, and March 31, 2018, TWM's authorized capital was \$60,000,000 thousand and capital issued and outstanding was \$34,238,338 thousand, \$34,208,519 thousand and \$34,208,328 thousand, respectively, divided into 3,423,834 thousand shares, \$3,420,852 thousand shares and \$3,420,833 thousand shares, respectively, which were all common stocks, at a par value of \$10 each.

As of March 31, 2019, the bondholders of 3rd domestic unsecured convertible bonds had requested to convert the bonds into 12,691 thousand common stocks. TWM recognized 9,691 thousand of common stocks as capital collected in advance, totaling \$96,905 thousand. TWM would complete the amendment registration after the issuance of new stocks on the record date in accordance with the regulations.

### b. Capital surplus

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Additional paid-in capital from convertible corporate bonds	\$ 7,296,997	\$ 6,363,714	\$ 7,708,764
Treasury stock transactions	5,159,704	5,159,704	5,159,704
Difference between consideration and carrying amount arising from the disposal of subsidiaries' stock	85,965	85,965	85,965
Changes in equity of subsidiaries	501,215	501,215	511,562
Convertible bonds payable options	347,337	387,979	400,564
Changes in equity of associates accounted for using equity method	48,147	48,147	39,767
Others	<u>33,968</u>	<u>33,968</u>	<u>32,952</u>
	<u>\$ 13,473,333</u>	<u>\$ 12,580,692</u>	<u>\$ 13,939,278</u>

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

### c. Appropriation of earnings and dividend policy

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



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

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

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

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

The 2018 and 2017 earnings appropriations having been proposed by the Board of Directors on April 30, 2019 and resolved by the AGM on June 12, 2018, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Fiscal Year 2018</b>	<b>For Fiscal Year 2017</b>	<b>For Fiscal Year 2018</b>	<b>For Fiscal Year 2017</b>
Appropriation of legal reserve	\$ 1,364,217	\$ 1,419,218		
Reversal from special reserve	(267,322)	(327,331)		
Cash dividends to stockholders	15,366,223	13,610,406	\$ 5.6	\$ 5

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

TWM's 2018 earnings appropriation and cash appropriation from the capital surplus are awaiting approval at the AGM on June 12, 2019. Information on appropriations is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity interests

	<b>Exchange Differences on Translation</b>	<b>Unrealized Gain (Loss) on Financial Assets at FVTOCI</b>	<b>Unrealized Gain (Loss) on Available-for- sale Financial Assets</b>	<b>Total</b>
Balance, January 1, 2019	\$ (24,398)	\$ (70,983)	\$ -	\$ (95,381)
Exchange differences on translation	11,871	-	-	11,871
Changes in fair value of financial assets at FVTOCI	-	265,965	-	265,965
Changes in other comprehensive income (loss) of associates accounted for using equity method	(1,785)	2,473	-	688
Income tax effect	<u>-</u>	<u>54,741</u>	<u>-</u>	<u>54,741</u>
Balance, March 31, 2019	<u>\$ (14,312)</u>	<u>\$ 252,196</u>	<u>\$ -</u>	<u>\$ 237,884</u>
Balance, January 1, 2018	\$ (16,499)	\$ -	\$ (346,204)	\$ (362,703)
Effect of retrospective application	<u>-</u>	<u>(281,785)</u>	<u>346,204</u>	<u>64,419</u>
Adjusted balance, January 1, 2018	(16,499)	(281,785)	-	(298,284)
Exchange differences on translation	8,149	-	-	8,149
Changes in fair value of FVTOCI - financial asset	-	(119,486)	-	(119,486)
Changes in other comprehensive income (loss) of associates accounted for using equity method	<u>(94)</u>	<u>(379)</u>	<u>-</u>	<u>(473)</u>
Balance, March 31, 2018	<u>\$ (8,444)</u>	<u>\$ (401,650)</u>	<u>\$ -</u>	<u>\$ (410,094)</u>

e. Treasury stock

As of March 31, 2019, December 31, 2018 and March 31, 2018, 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 in total, and the market values were \$77,910,804 thousand, \$74,417,046 thousand and \$76,862,676 thousand, respectively. Since TWM's stocks held by its subsidiaries are regarded as treasury stock, TWM recognized \$29,717,344 thousand as treasury stock. For those treasury stock holders, they have the same rights as the other shareholders, except that they are not allowed to subscribe new shares issued by TWM for cash and exercise the voting rights over such treasury stock.

f. Non-controlling interests

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 6,112,176	\$ 5,879,738
Effect of retrospective application	<u>16,275</u>	<u>(39)</u>
Adjusted beginning balance	6,128,451	5,879,699
Portion attributable to non-controlling interests		
Profit	228,001	181,971
Exchange differences on translation	12,283	8,226
Unrealized gain (loss) on financial asset at FVTOCI	3,501	(3,713)
Share of other comprehensive income (loss) of associates accounted for using equity method	838	(209)
Changes in equity of associates accounted for using equity method	-	2,408
Remeasurements from defined benefit plans	<u>-</u>	<u>146</u>
Ending balance	<u>\$ 6,373,074</u>	<u>\$ 6,068,528</u>

**22. OPERATING REVENUES**

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue from contracts with customers		
Telecommunications and value-added services	\$ 12,243,495	\$ 13,747,364
Sales revenue	15,768,204	14,735,944
Cable TV and broadband services	1,515,319	1,555,645
Other operating revenues	<u>345,655</u>	<u>267,366</u>
	<u>\$ 29,872,673</u>	<u>\$ 30,306,319</u>

a. Contract information

Please refer to Note 34 and to Note 4 to the consolidated financial statements for the year ended December 31, 2018.

b. Contract balances

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Contract assets	\$ 8,559,044	\$ 8,755,126	\$ 10,410,023
Bundle sales	<u>(72,608)</u>	<u>(74,250)</u>	<u>(88,292)</u>
Less: Allowance for impairment loss	<u>\$ 8,486,436</u>	<u>\$ 8,680,876</u>	<u>\$ 10,321,731</u>
Current	\$ 5,227,317	\$ 5,472,357	\$ 6,431,049
Non-current	<u>3,259,119</u>	<u>3,208,519</u>	<u>3,890,682</u>
	<u>\$ 8,486,436</u>	<u>\$ 8,680,876</u>	<u>\$ 10,321,731</u>

For accounts and notes receivable, please refer to Note 8.

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Contract liabilities			
Telecommunications and value-added services	\$ 1,191,285	\$ 1,235,446	\$ 1,628,702
Sales of goods	137,552	141,343	99,939
Cable TV and broadband services	728,193	694,228	785,806
Others	<u>17,628</u>	<u>15,920</u>	<u>28,697</u>
	<u>\$ 2,074,658</u>	<u>\$ 2,086,937</u>	<u>\$ 2,543,144</u>
Current	\$ 2,021,941	\$ 2,030,793	\$ 2,474,721
Non-current	<u>52,717</u>	<u>56,144</u>	<u>68,423</u>
	<u>\$ 2,074,658</u>	<u>\$ 2,086,937</u>	<u>\$ 2,543,144</u>

c. Assets related to contract costs

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Incremental costs of obtaining a contract - non-current	<u>\$ 2,660,094</u>	<u>\$ 2,946,282</u>	<u>\$ 3,920,540</u>

The Group considered the past experience and the default clauses in the sale contracts and believed the commission paid for obtaining a contract is wholly recoverable. Amortization recognized for the three months ended March 31, 2019 and 2018 was \$703,442 thousand and \$903,958 thousand, respectively.

## 23. NON-OPERATING INCOME AND EXPENSES

### a. Other income

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Interest income	\$ 15,313	\$ 19,029
Other income	<u>17,023</u>	<u>16,981</u>
	<u>\$ 32,336</u>	<u>\$ 36,010</u>

### b. Other gains and losses, net

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Loss on disposal of property, plant and equipment, net	\$ (15,967)	\$ (22,131)
Valuation gain (loss) on financial assets at FVTPL	3,867	(28,847)
Valuation gain on financial liabilities at FVTPL	1,819	3,000
Gain (loss) on foreign exchange	1,674	(696)
Others	<u>(799)</u>	<u>(1,560)</u>
	<u>\$ (9,406)</u>	<u>\$ (50,234)</u>

### c. Finance costs

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Interest expense		
Bank loans	\$ 46,917	\$ 78,028
Corporate bonds	70,804	61,044
Lease liabilities	24,561	-
Others	<u>11,984</u>	<u>18,128</u>
	154,266	157,200
Less: Capitalized interest	<u>(1,179)</u>	<u>(1,446)</u>
	<u>\$ 153,087</u>	<u>\$ 155,754</u>
Capitalization rates	1.34%	1.34%

## 24. INCOME TAX

### a. Income tax recognized in profit or loss

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Current income tax expense		
Current period	\$ 743,262	\$ 874,535
Others	<u>(17,079)</u>	<u>(32,893)</u>
	<u>726,183</u>	<u>841,642</u>
Deferred income tax expense		
Temporary differences	65,794	55,998
Changes in tax rates	<u>-</u>	<u>2,861</u>
	<u>65,794</u>	<u>58,859</u>
Income tax expense	<u>\$ 791,977</u>	<u>\$ 900,501</u>

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

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

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Deferred income tax income		
Unrealized loss on financial assets at FVTOCI	\$ 54,741	\$ -
Changes in tax rates - Remeasurements from defined benefit plans	<u>-</u>	<u>18,302</u>
	<u>\$ 54,741</u>	<u>\$ 18,302</u>

### 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	2016
TCC	2017
WMT	2017
TNH	2017
TFN	2017
	(except 2016 not yet examined by the tax authorities)
TT&T	2017
TCCI	2017
TDC	2017

(Continued)

<u>Company</u>	<u>Year</u>
TDS	2017
TPIAC	2017
TFNM	2016
GFMT	2017
GWMT	2017
WTVB	2017
TUI	2017
TID	2017
TKT	2017
YJCTV	2016
MCTV	2017
PCTV	2016
UCTV	2016
GCTV	2016
momo	2017
FLI	2017
FPI	2017
FST	2017
Bebe Poshe	2017

(Concluded)

## 25. EARNINGS PER SHARE

	<u>For the Three Months Ended March 31, 2019</u>		
	<u>Amount After</u>	<u>Weighted-</u>	
	<u>Income Tax</u>	<u>average</u>	
		<u>Number of</u>	<u>EPS</u>
		<u>Common Stock</u>	
Basic EPS			
Profit attributable to owners of the parent	\$ 3,070,973	2,728,656	<u>\$ 1.13</u>
Effect of potential dilutive common stock:			
Employees' compensation	-	2,260	
Convertible bonds	<u>18,661</u>	<u>88,936</u>	
Diluted EPS			
Profit attributable to owners of the parent (adj. for potential effect of common stock)	<u>\$ 3,089,634</u>	<u>2,819,852</u>	<u>\$ 1.10</u>

**For the Three Months Ended March 31, 2018**

	<b>Amount After Income Tax</b>	<b>Weighted- average Number of Common Stock</b>	<b>EPS</b>
<b>Basic EPS</b>			
Profit attributable to owners of the parent	\$ 3,481,360	2,722,081	<u>\$ 1.28</u>
<b>Effect of potential dilutive common stock:</b>			
Employees' compensation	-	2,407	
Convertible bonds	<u>18,795</u>	<u>90,662</u>	
<b>Diluted EPS</b>			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 3,500,155</u>	<u>2,815,150</u>	<u>\$ 1.24</u>

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

## 26. CAPITAL MANAGEMENT

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

## 27. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 85,341	\$ 81,474	\$ 698,807
Financial assets at FVTOCI (including current and non-current portions)	5,289,097	5,019,631	4,691,325
Financial assets measured at amortized cost (including current and non-current portions) (Note 1)	<u>18,510,819</u>	<u>18,678,535</u>	<u>30,127,959</u>
Total	<u>\$ 23,885,257</u>	<u>\$ 23,779,640</u>	<u>\$ 35,518,091</u>



	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost (including current and non-current portions) (Note 2)	\$ 62,185,358	\$ 69,992,701	\$ 72,201,655
Financial liabilities at FVTPL	<u>-</u>	<u>1,861</u>	<u>6,961</u>
Total	<u>\$ 62,185,358</u>	<u>\$ 69,994,562</u>	<u>\$ 72,208,616</u>

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

Note 2: The balances comprise short-term borrowings, short-term notes and bills payable, payables, bonds payable, long-term borrowings and guarantee deposits.

b. Fair value of financial instruments

1) Financial instruments not at fair value

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

	<u>March 31, 2019</u>		<u>December 31, 2018</u>		<u>March 31, 2018</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>						
Bonds payable (including current portion)	\$ 27,950,511	\$ 28,728,732	\$ 28,918,817	\$ 29,495,234	\$ 21,571,018	\$ 22,267,890

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

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

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

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

March 31, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Beneficiary certificates	\$ <u>85,341</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>85,341</u>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 4,567,908	\$ -	\$ -	\$ 4,567,908
Domestic unlisted stocks	-	-	173,923	173,923
Limited partnerships	-	-	503,637	503,637
Foreign unlisted stocks	<u>-</u>	<u>14,240</u>	<u>29,389</u>	<u>43,629</u>
	<u>\$ 4,567,908</u>	<u>\$ 14,240</u>	<u>\$ 706,949</u>	<u>\$ 5,289,097</u>
Financial liabilities at <u>FVTPL</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Beneficiary certificates	\$ <u>81,474</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>81,474</u>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 4,024,556	\$ -	\$ -	\$ 4,024,556
Domestic unlisted stocks	-	-	181,178	181,178
Limited partnerships	-	-	775,385	775,385
Foreign unlisted stocks	<u>-</u>	<u>10,125</u>	<u>28,387</u>	<u>38,512</u>
	<u>\$ 4,024,556</u>	<u>\$ 10,125</u>	<u>\$ 984,950</u>	<u>\$ 5,019,631</u>
Financial liabilities at <u>FVTPL</u>	<u>\$ -</u>	<u>\$ 1,861</u>	<u>\$ -</u>	<u>\$ 1,861</u>

March 31, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Beneficiary certificates	\$ 217,924	\$ -	\$ -	\$ 217,924
Hybrid instruments - Convertible Notes	<u>-</u>	<u>-</u>	<u>480,883</u>	<u>480,883</u>
	<u>\$ 217,924</u>	<u>\$ -</u>	<u>\$ 480,883</u>	<u>\$ 698,807</u>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 3,621,416	\$ -	\$ -	\$ 3,621,416
Domestic unlisted stocks	-	-	176,640	176,640
Limited partnerships	-	-	842,386	842,386
Foreign unlisted stocks	<u>-</u>	<u>24,288</u>	<u>26,595</u>	<u>50,883</u>
	<u>\$ 3,621,416</u>	<u>\$ 24,288</u>	<u>\$ 1,045,621</u>	<u>\$ 4,691,325</u>
Financial liabilities at <u>FVTPL</u>	<u>\$ -</u>	<u>\$ 6,961</u>	<u>\$ -</u>	<u>\$ 6,961</u>

There was no transfer between the fair value measurements of Levels 1 and 2 for the three months ended March 31, 2019 and 2018.

Valuation techniques and assumptions used in fair value determination

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

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

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

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

i. Hybrid instruments

Convertible notes were redeemed at maturity in May 2018.

The embedded derivatives instruments of convertible notes are evaluated by using binary tree evaluation models to evaluate fair value, considering significant unobservable inputs are historical volatility of stock prices and liquidity discount rate. As of March 31, 2018, the historical volatility of stock prices was estimated at 43.81%, and the liquidity discount rate was estimated at 5.66%. Assuming all other variables are constant, an increase (or decrease) in the historical volatility of stock prices used in isolation would result in an increase (or decrease) in the liquidity discount rate. There is a positive correlation between historical volatility of stock prices and fair value and a negative correlation between liquidity discount

rate and fair value. As a result, the fair value is affected by historical volatility of stock prices and liquidity discount rate.

ii. Equity instruments

The significant and unobservable input parameter for assessing the unlisted stocks and limited partnerships held by the Group mainly relates to liquidity discount rate. The evaluation of fair value of unlisted stocks is mainly referenced to the same type of companies through the market approach. The fair value of limited partnerships investments was evaluated through the market approach and income approach. The evaluation and assumptions are mainly referenced to related information of comparable market targets and estimated future cash flows. The liquidity discount rate was estimated at 29.6%, 28% and 28% as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

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

For the Three Months Ended March 31, 2019

	<b>Financial Assets at FVTOCI - Equity Instruments</b>
Balance at January 1, 2019	\$ 984,950
Recognized in other comprehensive income (unrealized loss on financial assets at FVTOCI)	<u>(278,001)</u>
Balance at March 31, 2019	<u>\$ 706,949</u>

For the Three Months Ended March 31, 2018

	<b>Financial Assets at FVTPL - Convertible Notes</b>	<b>Financial Assets at FVTOCI - Equity Instruments</b>
Balance at January 1, 2018	\$ 490,931	\$ 956,286
Recognized in profit or loss (loss on financial assets at FVTPL)	(10,048)	-
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	<u>-</u>	<u>89,335</u>
Balance at March 31, 2018	<u>\$ 480,883</u>	<u>\$1,045,621</u>

c. Financial risk management

1) The Group's major financial instruments include equity investments, trade receivables, trade payables, short-term notes and bills payable, bonds payable, borrowings, lease liabilities, etc., and the Group is exposed to the following risks due to usage of financial instruments:

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

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

## 2) Risk management framework

### a) Decision-making mechanism

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

### b) Risk management policies

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

### c) Monitoring mechanism

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

## 3) Credit risk

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

As the Group serves a large number of unrelated consumers, the concentration of credit risk was limited.

## 4) Liquidity risk

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

The Group manages and maintains sufficient level of capital to ensure the requirements of paying estimated operating expenditures, including financial obligations on each contract. The Group also monitors its bank credit facilities to ensure that the provisions of loan contracts are all complied with. As of March 31, 2019, December 31, 2018 and March 31, 2018, the Group had unused bank facilities of \$65,655,019 thousand, \$58,376,758 thousand and \$54,328,355 thousand, respectively.

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

	<b>Contractual Cash Flows</b>	<b>Within 1 Year</b>	<b>1-5 Years</b>	<b>More Than 5 Years</b>
<u>March 31, 2019</u>				
Unsecured loans	\$ 10,879,686	\$ 4,849,143	\$ 6,030,543	\$ -
Secured loans	3,436,151	365,048	1,015,994	2,055,109
Short-term notes and bills payable	4,000,000	4,000,000	-	-
Bonds payable	29,115,900	4,701,180	15,234,720	9,180,000
Lease liabilities	<u>9,911,902</u>	<u>3,437,559</u>	<u>6,291,753</u>	<u>182,590</u>
	<u>\$ 57,343,639</u>	<u>\$ 17,352,930</u>	<u>\$ 28,573,010</u>	<u>\$ 11,417,699</u>
<u>December 31, 2018</u>				
Unsecured loans	\$ 18,370,540	\$ 12,336,530	\$ 6,034,010	\$ -
Secured loans	3,503,401	366,594	1,020,143	2,116,664
Short-term notes and bills payable	1,500,000	1,500,000	-	-
Bonds payable	<u>30,130,500</u>	<u>4,701,180</u>	<u>16,249,320</u>	<u>9,180,000</u>
	<u>\$ 53,504,441</u>	<u>\$ 18,904,304</u>	<u>\$ 23,303,473</u>	<u>\$ 11,296,664</u>
<u>March 31, 2018</u>				
Unsecured loans	\$ 26,721,049	\$ 17,689,763	\$ 9,031,286	\$ -
Secured loans	3,717,720	270,553	1,040,724	2,406,443
Short-term notes and bills payable	3,100,000	3,100,000	-	-
Bonds payable	<u>22,118,310</u>	<u>7,558,010</u>	<u>14,560,300</u>	<u>-</u>
	<u>\$ 55,657,079</u>	<u>\$ 28,618,326</u>	<u>\$ 24,632,310</u>	<u>\$ 2,406,443</u>

#### 5) Market risk

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

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

a) Exchange rate risk

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

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

	<b>March 31, 2019</b>		
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 29,123	4.578	\$ 133,323
USD	31,295	30.845	965,322
EUR	751	34.68	26,047
Non-monetary items			
RMB	158,908	4.578	727,482
USD	17,281	30.845	533,026
HKD	3,624	3.929	14,240
THB	121,960	0.974	118,789
<u>Foreign currency liabilities</u>			
Monetary items			
USD	19,729	30.845	608,559
EUR	108	34.68	3,743
HKD	12,556	3.929	49,331
JPY	49,326	0.28	13,821
	<b>December 31, 2018</b>		
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 17,207	4.464	\$ 76,812
USD	37,052	30.79	1,140,858
EUR	609	35.05	21,323
Non-monetary items			
RMB	171,713	4.464	766,529
USD	26,105	30.79	803,772
HKD	2,576	3.93	10,125
THB	125,776	0.953	119,889
<u>Foreign currency liabilities</u>			
Monetary items			
USD	11,702	30.79	360,320
EUR	19	35.05	677

	<b>March 31, 2018</b>		
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 22,056	4.644	\$ 102,426
USD	33,731	29.105	981,732
EUR	617	35.87	22,124
Non-monetary items			
RMB	160,844	4.644	746,964
USD	29,857	29.105	868,981
HKD	136,238	3.708	505,171
THB	126,813	0.938	119,002

Foreign currency liabilities

Monetary items			
RMB	4,444	4.644	20,638
USD	16,722	29.105	486,694
EUR	37	35.87	1,338

The Group's foreign exchange gains and losses, including realized and unrealized, for the three months ended March 31, 2019 and 2018, were net exchange gain of \$1,674 thousand and net exchange loss of \$696 thousand, respectively. Due to the variety of functional currencies, the Group could not disclose the foreign exchange gains (losses) for each foreign currency with significant influence.

Sensitivity analysis

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts denominated in monetary items of foreign currencies. If there had been an unfavorable 5% movement in the levels of foreign exchanges against NTD at the end of the reporting period (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have decreased by \$22,462 thousand and \$29,881 thousand for the three months ended March 31, 2019 and 2018, respectively.

b) Interest rate risk

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

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Fair value interest rate risk			
Financial assets	\$ 5,427,534	\$ 4,290,492	\$ 7,412,137
Financial liabilities	40,060,818	33,285,029	32,498,060
Cash flow interest rate risk			
Financial assets	2,987,472	3,750,159	2,515,431
Financial liabilities	7,141,843	9,162,674	12,408,607



### Sensitivity analysis

The following sensitivity analysis is based on the exposure to interest rate risk of derivative and non-derivative instruments at the end of the reporting period. For floating-rate assets and liabilities, the analysis assumes that the balances of outstanding assets and liabilities at the end of the reporting period have been outstanding for the whole period and that the changes in interest rates are reasonable. If the interest rate had increased by 50 basis points (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have decreased by \$5,193 thousand and \$12,366 thousand for the three months ended March 31, 2019 and 2018, respectively.

#### c) Other market price risk

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

### Sensitivity analysis

If the prices of equity instruments had decreased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), profit would have decreased by \$4,267 thousand and \$34,940 thousand since the fair value of financial assets at FVTPL decreased for the three months ended March 31, 2019 and 2018, respectively, and other comprehensive income would have decreased by \$264,455 thousand and \$234,566 thousand since the fair value of financial assets at FVTOCI decreased for the three months ended March 31, 2019 and 2018, respectively.

## 28. RELATED-PARTY TRANSACTIONS

#### a. Parent company and ultimate controlling party

TWM is the ultimate controlling party of the Group.

#### b. Related party name and nature of relationship

<u>Related Party</u>	<u>Nature of Relationship</u>
GHS	Associates
TPE	Associates
kbro Media	Associates
TVD Shopping	Associates
ADT	Associates
Beijing Global JiuSha Media Technology Co., Ltd.	Associates (subsidiary of GHS)
Beijing YueShih JiuSha Media Technology Co., Ltd.	Associates (subsidiary of GHS)
Good Image Co., Ltd.	Associates (subsidiary of kbro Media)
Fubon Life Insurance Co., Ltd. (Fubon Life)	Other related parties
Fubon Insurance Co., Ltd. (Fubon Ins.)	Other related parties
Fubon Securities Investment Trust Co., Ltd. (FSIT)	Other related parties
Fubon Sports & Entertainment Co., Ltd.	Other related parties
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Other related parties
Fubon Financial Holding Co., Ltd.	Other related parties
Fubon Life Insurance (HK) Ltd.	Other related parties
Fubon Securities Co., Ltd.	Other related parties

(Continued)

<u>Related Party</u>	<u>Nature of Relationship</u>
Fubon Futures Co., Ltd.	Other related parties
Fubon Investment Services Co., Ltd.	Other related parties
Fubon Marketing Co., Ltd.	Other related parties
Fu-Sheng Life Insurance Agency Co., Ltd.	Other related parties
Fu-Sheng General Insurance Agency Co., Ltd.	Other related parties
Fubon Financial Venture Capital Co., Ltd.	Other related parties
Fubon Gymnasium Co., Ltd.	Other related parties
Fubon Asset Management Co., Ltd.	Other related parties
One Production Film Co., Ltd.	Other related parties
Fubon Bank (China) Co., Ltd.	Other related parties
Fubon Land Development Co., Ltd.	Other related parties
Fubon Property Management Co., Ltd.	Other related parties
Fubon Real Estate Management Co., Ltd.	Other related parties
Fubon Hospitality Management Co., Ltd.	Other related parties
Chung Hsing Constructions Co., Ltd.	Other related parties
Ming Dong Co., Ltd.	Other related parties
Fu Yi Health Management Co. Ltd.	Other related parties
Dao Ying Co., Ltd.	Other related parties
Fubon Xinji Investment Co., Ltd.	Other related parties
Mitchiller Media Co., Ltd.	Other related parties
Dai-Ka Ltd.	Other related parties
Taiwan Mobile Foundation (TMF)	Other related parties
Taipei New Horizon Foundation (TNHF)	Other related parties
Fubon Cultural & Educational Foundation	Other related parties
Fubon Charity Foundation	Other related parties
Fubon Art Foundation	Other related parties
Taipei Fubon Bank Charity Foundation	Other related parties
Taipei New Horizon Management Agency	Other related parties

(Concluded)

c. Significant transactions with related parties

1) Operating revenue

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Associates	\$ 22,955	\$ 17,133
Other related parties	<u>190,301</u>	<u>178,233</u>
	<u>\$ 213,256</u>	<u>\$ 195,366</u>

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

2) Purchases

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Associates	\$ 92,339	\$ 112,376
Other related parties	<u>128,710</u>	<u>232,645</u>
	<u>\$ 221,049</u>	<u>\$ 345,021</u>

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

3) Receivables due from related parties

<b>Account</b>	<b>Related Party Categories</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Accounts receivable	Associates	\$ 5,937	\$ 11,249	\$ 6,685
Accounts receivable	Other related parties	<u>144,263</u>	<u>126,709</u>	<u>124,453</u>
		<u>\$ 150,200</u>	<u>\$ 137,958</u>	<u>\$ 131,138</u>
Other receivables	Associates	\$ 102,882	\$ 113,187	\$ 93,258
Other receivables	Other related parties	<u>48,727</u>	<u>59,108</u>	<u>31,610</u>
		<u>\$ 151,609</u>	<u>\$ 172,295</u>	<u>\$ 124,868</u>

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

4) Payables due to related parties

<b>Account</b>	<b>Related Party Categories</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Accounts payable	Associates	\$ 82,301	\$ 91,266	\$ 81,153
Accounts payable	Other related parties	<u>59,152</u>	<u>88,322</u>	<u>130,398</u>
		<u>\$ 141,453</u>	<u>\$ 179,588</u>	<u>\$ 211,551</u>
Other payables	Other related parties	<u>\$ 44,293</u>	<u>\$ 68,150</u>	<u>\$ 115,436</u>

5) Prepayments

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Other related parties			
Fubon Ins.	\$ 46,737	\$ 15,467	\$ 80,015
Others	<u>18,900</u>	<u>-</u>	<u>4,125</u>
	<u>\$ 65,637</u>	<u>\$ 15,467</u>	<u>\$ 84,140</u>

6) Bank deposits, time deposits and other financial assets (including current and non-current portions)

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Other related parties			
TFCB	\$ 1,567,033	\$ 1,284,174	\$ 1,807,437
Others	<u>29,014</u>	<u>23,001</u>	<u>3,902</u>
	<u>\$ 1,596,047</u>	<u>\$ 1,307,175</u>	<u>\$ 1,811,339</u>

7) Cash equivalents

The Group sold the government bonds with repurchase rights, with the purchased amount of \$146,013 thousand, to TFCB for \$146,034 thousand, and recognized \$21 thousand as interest income for the three months ended March 31, 2019.

8) Financial assets at FVTPL - current

The Group sold the beneficiary certificates, with the purchased amount of \$100,000 thousand, to FSIT for \$88,184 thousand for the three months ended March 31, 2018. The cumulative losses were \$11,816 thousand, and the Group recognized \$2,249 thousand as loss in the first quarter of 2018.

9) Lease arrangements

Acquisition of right-of-use assets

**For the Three  
Months Ended  
March 31, 2019**

Other related parties \$ 8,528

Lease liabilities (including current and non-current portions)

**March 31,  
2019**

Associates \$ 11,824

Other related parties 718,885

\$ 730,709

Interest expenses

**For the Three  
Months Ended  
March 31, 2019**

Associates \$ 36

Other related parties 1,593

\$ 1,629

The leases are conducted by referring to general market prices, and all the terms and conditions conform to normal business practices.

10) Others

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Guarantee deposits			
Other related parties	<u>\$ 49,839</u>	<u>\$ 51,548</u>	<u>\$ 48,489</u>
Other current liabilities - receipts under custody			
Other related parties	<u>\$ 84,873</u>	<u>\$ 69,057</u>	<u>\$ 17,138</u>
		<b>For the Three Months Ended March 31</b>	
		<b>2019</b>	<b>2018</b>
Operating expenses			
Other related parties			
TMF		\$ 3,825	\$ 3,315
TNHF		3,000	3,000
Fubon Life		74	35,081
Others		<u>78,135</u>	<u>96,389</u>
		<u>\$ 85,034</u>	<u>\$ 137,785</u>

d. Key management compensation

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

	<b>For the Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 78,552	\$ 79,123
Termination and post-employment benefits	<u>12,448</u>	<u>2,310</u>
	<u>\$ 91,000</u>	<u>\$ 81,433</u>

**29. ASSETS PLEDGED**

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Other current financial assets	\$ 157,124	\$ 160,033	\$ 1,044,139
Services concessions	7,104,093	7,148,773	7,282,812
Other non-current financial assets	<u>147,084</u>	<u>131,110</u>	<u>113,676</u>
	<u>\$ 7,408,301</u>	<u>\$ 7,439,916</u>	<u>\$ 8,440,627</u>

### 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Purchases of property, plant and equipment	<u>\$ 4,878,808</u>	<u>\$ 806,935</u>	<u>\$ 3,244,768</u>
Purchases of cellular phones	<u>\$ 2,426,323</u>	<u>\$ 1,872,470</u>	<u>\$ 2,906,989</u>

b. As of March 31, 2019, December 31, 2018 and March 31, 2018, the amounts of endorsements and guarantees (provided to group entities) were \$21,550,000 thousand, \$21,550,000 thousand and \$21,619,660 thousand, respectively.

c. In accordance with the NCC's policy and regulations, TWM entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid cards and electronic gift certificates, totaling \$578,705 thousand and \$20,913 thousand, respectively, as of March 31, 2019.

In accordance with the NCC's policy and regulations, cable television companies should provide performance bonds based on a certain proportion of the advance receipts from their subscribers. As of March 31, 2019, the cable television companies had provided \$74,395 thousand as performance bonds, classified as other non-current financial assets.

In accordance with the Ministry of Economic Affairs' policy and regulations, momo entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid bonuses and electronic tickets totaling \$75,271 thousand and \$25,390 thousand, respectively, as of March 31, 2019.

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

1) Construction and operating period:

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

2) Development concession:

The total initial amount of concession was \$1,238,095 thousand (tax excluded). According to the supplemental agreement signed in November 2014, the concession will be paid with additional business tax from the signing date of the supplemental agreement; thus, the concession will be increased by \$48,750 thousand. The rest of the concession will be paid over 14 years from fiscal year 2015. As of March 31, 2019, \$660,156 thousand (tax included) of the concession had been paid.

3) Performance guarantee:

As of March 31, 2019, TNH had provided a \$32,500 thousand performance guarantee regarding the BOT contract.

4) Rental of land:

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

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

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

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

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

injunction and aforementioned appeal filed by FET were rejected by the High Court after the remand ruling. FET re-appealed to the Supreme Court, and the Supreme Court rejected the re-appeal in January 2018; thus, the rejection of the provisional injunction filed by FET was the final judgment.

### 31. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In April 2019, the Board of Directors of momo resolved that momo would sign the lease agreement of warehouse with Infomedia Inc., with lease terms of 5 years from July 2019. The anticipated amount of acquired right-of-use assets would be \$390,073 thousand.

### 32. OTHERS

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

	For the Three Months Ended March 31					
	2019			2018		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 559,729	\$ 1,192,700	\$ 1,752,429	\$ 561,084	\$ 1,132,980	\$ 1,694,064
Insurance expenses	46,044	105,421	151,465	44,490	98,960	143,450
Pension	24,925	52,589	77,514	24,680	51,605	76,285
Others	25,344	65,172	90,516	26,216	66,105	92,321
Depreciation	3,064,283	253,562	3,317,845	2,446,896	84,001	2,530,897
Amortization	757,649	810,285	1,567,934	800,218	1,008,197	1,808,415

#### Information of employees' compensation and remuneration of directors

According to TWM's Articles, the estimated employees' compensation and remuneration of directors are set at the rates of 1% to 3% and no higher than 0.3%, respectively, of profit before income tax, employees' compensation, and remuneration of directors. Estimations for employees' compensation were \$96,063 thousand and \$110,663 thousand, and remuneration to directors were \$9,606 thousand and \$11,066 thousand, which were made by applying the rates to the aforementioned profit before income tax, for the three months ended March 31, 2019 and 2018, respectively.

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

The employees' compensation and remuneration of directors of 2018 and 2017 shown below were approved by the Board of Directors on January 31, 2019 and February 1, 2018, respectively. The differences with the amounts recognized in the consolidated financial statements have been adjusted in 2019 and 2018, respectively.

	For the Year Ended December 31			
	2018		2017	
	Employees' Compensation Paid in Cash	Remuneration of Directors	Employees' Compensation Paid in Cash	Remuneration of Directors
Amounts approved by the Board of Directors	\$ 459,368	\$ 45,937	\$ 453,359	\$ 45,336
Amounts recognized in the consolidated financial statements	\$ 432,341	\$ 43,234	\$ 438,728	\$ 43,873

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



### 33. ADDITIONAL DISCLOSURES

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

### 34. SEGMENT INFORMATION

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

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

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

Cable Television: Providing pay TV and cable broadband services.

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

For the Three Months Ended March 31, 2019	Telecommunication	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$16,568,562	\$11,735,627	\$ 1,552,498	\$ 147,418	\$ (131,432)	\$29,872,673
Operating costs	10,319,724	10,513,795	854,307	86,871	(93,485)	21,681,212
Operating expenses	3,144,255	769,600	195,985	15,059	(49,060)	4,075,839
Net other income and expenses	115,608	1,514	3,948	2,710	(11,308)	112,472
Profit	3,220,191	453,746	506,154	48,198	(195)	4,228,094
EBITDA (Note)	6,914,436	603,224	800,873	101,205	(9,307)	8,410,431

For the Three Months Ended March 31, 2018	Telecommunication	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$18,472,645	\$10,183,809	\$ 1,599,062	\$ 141,938	\$ (91,135)	\$30,306,319
Operating costs	11,319,951	9,128,917	900,806	87,986	(55,764)	21,381,896
Operating expenses	3,490,157	664,536	209,441	16,483	(48,019)	4,332,598
Net other income and expenses	153,302	2,610	123	-	(9,158)	146,877
Profit	3,815,839	392,966	488,938	37,469	3,490	4,738,702
EBITDA (Note)	6,765,562	463,800	809,330	90,593	44,771	8,174,056

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

#### Geographical information

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

Consolidated geographic information for revenues was as follows:

	For the Three Months Ended March 31	
	2019	2018
Taiwan, ROC	\$ 29,157,441	\$ 29,516,480
Overseas	<u>715,232</u>	<u>789,839</u>
	<u>\$ 29,872,673</u>	<u>\$ 30,306,319</u>

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING EXTENDED TO OTHER PARTIES  
FOR THE THREE MONTHS ENDED MARCH 31, 2019

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits	Note
													Item	Value			
1	TCC	TWM TFC	Other receivables	Yes	\$ 400,000	\$ 400,000	\$ 203,000	1.09511%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 36,544,748	\$ 36,544,748	Note 2
			Other receivables	Yes	700,000	700,000	-	-	Short-term financing	-	Operation requirements	-	-	-	36,544,748	36,544,748	Note 2
2	WMT	TWM TKT TFNM WTVB	Other receivables	Yes	3,000,000	3,000,000	2,868,000	1.09367%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	8,412,969	8,412,969	Note 2
			Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,412,969	8,412,969	Note 2
			Other receivables	Yes	2,880,000	2,600,000	900,000	1.09489%	Short-term financing	-	Operation requirements	-	-	-	8,412,969	8,412,969	Note 2
			Other receivables	Yes	600,000	600,000	355,000	1.09422%-1.09522%	Short-term financing	-	Operation requirements	-	-	-	8,412,969	8,412,969	Note 2
3	TFN	TWM TCC	Other receivables	Yes	9,000,000	9,000,000	7,150,000	1.09378%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	23,881,964	23,881,964	Note 2
			Other receivables	Yes	700,000	700,000	-	-	Short-term financing	-	Operation requirements	-	-	-	23,881,964	23,881,964	Note 2
4	YJCTV	TFNM	Other receivables	Yes	140,000	140,000	140,000	1.09456%	Transactions	461,624	-	-	-	-	461,624	461,624	Notes 3 and 4
5	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	1.09456%	Transactions	541,553	-	-	-	-	541,553	541,553	Notes 3 and 4
6	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	1.09456%	Short-term financing	-	Repayment of financing	-	-	-	280,482	280,482	Note 3

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

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

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

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

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES  
FOR THE THREE MONTHS ENDED MARCH 31, 2019

(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	\$ 42,000,000 313,800	\$ 21,500,000 50,000	\$ 21,500,000 50,000	\$ 8,504,925 50,000	\$ - -	32.42 0.08	\$ 66,307,909 66,307,909	Y Y	N N	N N	Notes 3 and 4 Note 3

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.

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)  
MARCH 31, 2019

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	March 31, 2019				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership %	Fair Value	
TWM	<u>Stock</u>							
	Chunghwa Telecom Co., Ltd.	-	Current financial assets at FVTOCI	2,174	\$ 238,000	0.028	\$ 238,000	
	Asia Pacific Telecom Co., Ltd.	-	Non-current financial assets at FVTOCI	148,255	1,082,262	3.45	1,082,262	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at FVTOCI	800	29,389	10	29,389	
	<u>Limited Partnerships</u>							
	Grand Academy Investment, L.P.	-	Non-current financial assets at FVTOCI	-	354,656	21.67	354,656	Note 1
	Starview Heights Investment, L.P.	-	Non-current financial assets at FVTOCI	-	148,981	21.67	148,981	Note 1
TCC	<u>Stock</u>							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at FVTOCI	6,998	91,816	5.21	91,816	
TFN	<u>Stock</u>							
	Taiwan High Speed Rail Corporation	-	Non-current financial assets at FVTOCI	90,212	3,247,646	1.6	3,247,646	
TCCI	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	200,497	22,355,389	5.84	22,355,389	
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at FVTOCI	10,000	37,275	6.67	37,275	
TUI	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	410,665	45,789,179	11.96	45,789,179	
TID	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	87,590	9,766,236	2.55	9,766,236	
TFNM	<u>Beneficiary Certificates</u>							
	Dragon Tiger Capital Partners Limited - Class B	-	Non-current financial assets at FVTOCI	0.2	-	0.33	-	
	Dragon Tiger Capital Partners Limited - Class C	-	Non-current financial assets at FVTOCI	0.0335	-	0.056	-	

(Continued)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	March 31, 2019				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership %	Fair Value	
momo	<u>Beneficiary Certificates</u> Fubon Strategic High Income Fund B	Other related party	Current financial assets at FVTPL	9,151	\$ 85,341	-	\$ 85,341	
	<u>Stock</u> Media Asia Group Holdings Limited	-	Current financial assets at FVTOCI	43,668	14,240	2.04	14,240	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at FVTOCI	2,400	44,832	7.73	44,832	

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

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, 2019

(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 TT&T	Subsidiary Subsidiary	Purchase	\$ 1,240,542	(Note 2)	Based on contract terms	-	-	\$ (461,374)	(Note 3)	Note 1
			Purchase	262,844	(Note 2)	Based on contract terms	-	-	(86,504)	(Note 3)	
TFN	TWM	Ultimate parent	Sale	1,249,581	52	Based on contract terms	-	-	461,374	47	Note 1
TT&T	TWM	Ultimate parent	Sale	262,844	90	Based on contract terms	-	-	86,504	91	
TFNM	YJCTV PCTV	Subsidiary Subsidiary	Channel leasing fee	106,341	13	Based on contract terms	Note 4	Note 4	-	-	
			Channel leasing fee	124,084	15	Based on contract terms	Note 4	Note 4	-	-	
YJCTV	TFNM	Parent	Royalty for copyright	106,341	51	Based on contract terms	Note 4	Note 4	-	-	
PCTV	TFNM	Parent	Royalty for copyright	124,084	51	Based on contract terms	Note 4	Note 4	-	-	

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

Note 2: Including operating costs and operating expenses.

Note 3: Including accounts payable and other payables.

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

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
MARCH 31, 2019

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Action Taken		
TCC	TWM	Parent	Other receivables	\$ 203,390		\$ -	-	\$ -	\$ -
WMT	TWM	Parent	Other receivables	2,873,955		-	-	2,873,955	-
	TFNM	Subsidiary	Other receivables	904,293		-	-	904,293	-
	WTVB	Subsidiary	Other receivables	355,572		-	-	355,572	-
TFN	TWM	Ultimate parent	Accounts receivable	461,374	10.76	-	-	389,707	-
			Other receivables	7,225,408		-	-	24,391	-
YJCTV	TFNM	Parent	Accounts receivable	7,458	5.71	-	-	-	-
			Other receivables	140,588		-	-	-	-
PCTV	TFNM	Parent	Accounts receivable	8,469	5.60	-	-	-	-
			Other receivables	523,477		-	-	-	-
GCTV	TFNM	Parent	Accounts receivable	3,490	5.71	-	-	-	-
			Other receivables	250,693		-	-	-	-
momo	TPE	Associate	Accounts receivable	309	4.31	-	-	-	-
			Other receivables	102,630		-	-	102,630	-



## 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, 2019

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2019	December 31, 2018	Shares (Thousands)	Percentage of Ownership %	Carrying Value			
TWM	TCC	Taiwan	Investment	\$ 40,397,288	\$ 40,397,288	502,970	100	\$ 21,171,454	\$ 939,874	\$ 940,068	Note 1
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	21,032,269	558,978	559,131	Note 1
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,784,658	21,014	12,204	Note 1
	ADT	Taiwan	Technology development of mobile payment and information processing services	60,000	60,000	6,000	14.4	5,562	-	(3,073)	
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	59,705,872	911,678	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	91,339	13,175	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	259,758	1,697	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	30,543,378	(91)	-	Note 2
	TDC	Taiwan	Mobile phone wholesaling and TV program production	112,000	112,000	11,200	100	115,212	(604)	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	25,000	2,500	100	112,622	2,629	-	Note 2
	TPIAC	Taiwan	Property insurance agent	5,000	5,000	500	100	40,569	12,655	-	Note 2
TFC	Taiwan	Type II telecommunications business	200,000	5,000	20,000	100	197,612	(1,797)	-	Note 2	
WMT	TFNM	Taiwan	Type II telecommunications business	5,210,443	5,210,443	230,921	100	6,900,689	381,136	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	16,807	(71)	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	97,334	924	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	356,834	24,042	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,523,862	395,939	-	Notes 2 and 4
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	40,228,698	(76)	-	Note 2
	TFN HK Ltd.	Hong Kong	Telecommunications service provider	2,924	2,924	1,300	100	8,242	16	-	Note 2
TCCI	TID	Taiwan	Investment	3,602,782	3,602,782	104,712	100	8,585,645	(81)	-	Note 2
TFNM	TKT	Taiwan	Digital music service	156,900	129,900	14,700	100	255,782	2,931	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	1,874,273	(41,290)	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	646,426	15,966	-	Notes 2 and 5
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,374,331	19,141	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	1,970,197	(976)	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,270,299	14,555	-	Note 2
	kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	148,914	(18,257)	-	Note 2
GFMT	UCTV	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	15,147	(976)	-	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	95,907	14,555	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2019	December 31, 2018	Shares (Thousands)	Percentage of Ownership %	Carrying Value			
momo	Asian Crown (BVI)	British Virgin Islands	Investment	\$ 885,285	\$ 885,285	9,735	81.99	\$ 42,396	\$ (224)	\$ -	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	805,008	(4,849)	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	9,343	33	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	11,364	395	-	Note 2
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	50,509	1,974	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	395,772	37,148	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	117,611	117,611	24,150	35	118,789	10,257	-	Note 2
	Bebe Poshe	Taiwan	Wholesale of cosmetics	85,000	85,000	8,500	85	81,067	(1,951)	-	Note 2
	Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,132,789	11,594	100	47,241	(188)	-
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,132,789	11,594	100	47,241	(188)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	805,008	(4,849)	-	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, 2019.

Note 4: Non-controlling interests.

Note 5: 70.47% of stocks are held under trustee accounts.

Note 6: For information on investment in Mainland China, see Table 8 for details.

(Concluded)

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**

(In Thousands of New Taiwan Dollars)

Number	Company Name	Counter-party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	TWM	TFN	1	Accounts and notes receivable, net	\$ 13,082	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIAC	1	Accounts and notes receivable, net	37,694	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Accounts and notes receivable, net	51,726	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other receivables	30,284	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Other receivables	42,744	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Other non-current assets	17,918	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Short-term borrowings	7,150,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	5%
		WMT	1	Short-term borrowings	2,868,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	2%
		TCC	1	Short-term borrowings	203,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Accounts and notes payable	62,908	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TKT	1	Accounts and notes payable	78,894	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Accounts and notes payable	15,903	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Accounts and notes payable	11,382	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other payables	439,976	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Other payables	86,504	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Lease liabilities - current	31,057	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Lease liabilities - current	108,205	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other current liabilities	33,763	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Other current liabilities	12,953	The terms of transaction are determined in accordance with mutual agreements or general business practices	-

(Continued)

Number	Company Name	Counter-party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	TWM	TFN	1	Lease liabilities - non-current	\$ 28,136	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Lease liabilities - non-current	453,507	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Lease liabilities - non-current	40,257	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Lease liabilities - non-current	19,837	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating revenues	86,955	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIAC	1	Operating revenues	25,008	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Operating revenues	92,254	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating costs	1,239,412	The terms of transaction are determined in accordance with mutual agreements or general business practices	4%
		TKT	1	Operating costs	77,302	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Operating costs	18,582	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Operating expenses	262,844	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TNH	1	Operating expenses	23,107	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating expenses	10,290	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Finance costs	19,020	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
1	WMT	TFNM	1	Other receivables	904,293	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		WTVB	1	Other receivables	355,572	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
2	momo	FGE	1	Accounts and notes receivable, net	15,375	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Accounts and notes payable	15,942	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating costs	16,041	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
3	TFN	TFNM	3	Accounts and notes receivable, net	21,576	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating revenues	35,669	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	3	Operating expenses	27,998	The terms of transaction are determined in accordance with mutual agreements or general business practices	-

(Continued)

Number	Company Name	Counter-party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
4	TFNM	PCTV	1	Other receivables	\$ 38,264	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Other receivables	35,971	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Other receivables	25,178	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Other receivables	23,457	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		MCTV	1	Other receivables	14,801	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Short-term borrowings	520,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Short-term borrowings	140,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Short-term borrowings	250,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Accounts and notes payable	16,782	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating revenues	134,544	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating revenues	115,736	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating revenues	56,233	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Operating revenues	51,674	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
WTVB	1	Operating costs	16,782	The terms of transaction are determined in accordance with mutual agreements or general business practices	-		

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

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

(Concluded)

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA  
FOR THE THREE MONTHS ENDED MARCH 31, 2019

(In Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2019	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of March 31, 2019	Accumulated Inward Remittance of Earnings as of March 31, 2019	Note
					Outflow	Inflow							
TWMC	Mobile application development and design	\$ 92,535 (USD 3,000)	b	\$ 150,274 (USD 4,872)	\$ -	\$ -	\$ 150,274 (USD 4,872)	\$ 366	100	\$ 366	\$ 108,047	\$ -	
FGE	Wholesaling	354,795 (RMB 77,500)	b	840,494 (USD 14,000) (RMB 89,267)	-	-	840,494 (USD 14,000) (RMB 89,267)	(248)	76.7	(191)	31,716	-	
Haobo	Investment	50,358 (RMB 11,000)	b	-	-	-	-	(4,849)	100	(4,849)	805,008	-	
GHS	Wholesaling	228,900 (RMB 50,000)	b	-	-	-	-	(5,217)	20	(6,043)	727,482	-	

Company	Accumulated Investment in Mainland China as of March 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
TWM and subsidiaries	\$1,652,958 (USD18,872, RMB89,267 and HKD168,539)	\$1,652,958 (USD18,872, RMB89,267 and HKD168,539)	\$43,608,590

Note: 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. TCC and momo.
- c. Others.