

Taiwan Mobile Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2020 and 2019 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 balance sheets of Taiwan Mobile Co., Ltd. and its subsidiaries (collectively, the "Group") as of March 31, 2020 and 2019, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related 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" endorsed and issued into effect by Financial Supervisory Commission of the Republic of China. 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 consolidated financial position of the Group as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Pei-De Chen and Kwan-Chung Lai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

April 30, 2020

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, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed)		LIABILITIES AND EQUITY	March 31, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Notes 6 and 29)	\$ 9,101,031	5	\$ 8,663,370	6	\$ 7,838,557	5	Short-term borrowings (Note 17)	\$ 20,930,000	12	\$ 16,270,000	11	\$ 4,800,000	3
Financial assets at fair value through profit or loss	-	-	149	-	85,341	-	Short-term notes and bills payable (Note 17)	5,397,446	3	1,898,111	1	3,997,896	3
Financial assets at fair value through other comprehensive income (Note 7)	2,829,810	2	246,493	-	252,240	-	Contract liabilities (Note 22)	1,782,559	1	1,807,407	1	2,021,941	1
Contract assets (Note 22)	4,788,514	3	4,832,043	3	5,227,317	3	Notes and accounts payable	7,546,419	5	7,660,285	5	6,892,836	4
Notes and accounts receivable, net (Note 8)	7,108,225	4	7,671,838	5	7,169,624	5	Accounts payable due to related parties (Note 29)	152,333	-	135,162	-	141,453	-
Accounts receivable due from related parties (Note 29)	166,124	-	146,186	-	150,200	-	Other payables (Note 29)	7,283,354	4	8,823,705	6	7,692,298	5
Other receivables (Note 29)	1,430,938	1	1,418,485	1	1,881,818	1	Current tax liabilities	2,238,348	1	1,539,638	1	3,111,989	2
Inventories (Note 9)	3,770,454	2	5,670,476	4	3,960,296	3	Provisions (Note 19)	69,808	-	88,961	-	113,491	-
Prepayments (Note 29)	665,978	-	463,334	-	540,997	-	Lease liabilities (Notes 13, 26 and 29)	3,579,174	2	3,532,951	2	3,407,191	2
Assets held for sale	-	-	-	-	31,005	-	Advance receipts	119,142	-	87,410	-	110,738	-
Other financial assets (Notes 29 and 30)	692,163	-	592,868	-	574,801	-	Long-term liabilities, current portion (Notes 17 and 18)	303,309	-	303,297	-	4,803,012	3
Other current assets	132,318	-	200,458	-	892,167	1	Other current liabilities (Note 29)	2,196,937	1	2,376,029	2	2,316,277	2
Total current assets	30,685,555	17	29,905,700	19	28,604,363	18	Total current liabilities	51,598,829	29	44,522,956	29	39,409,122	25
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets at fair value through other comprehensive income (Note 7)	1,583,446	1	5,245,888	4	5,036,857	3	Contract liabilities (Note 22)	42,394	-	45,293	-	52,717	-
Contract assets (Note 22)	3,302,355	2	3,463,456	2	3,259,119	2	Bonds payable (Note 18)	35,883,474	20	15,903,436	10	23,450,744	15
Investments accounted for using equity method (Note 10)	1,412,442	1	1,478,025	1	1,396,519	1	Long-term borrowings (Note 17)	4,535,222	3	8,586,076	6	8,838,598	6
Property, plant and equipment (Note 12)	35,371,585	20	36,182,005	24	37,669,597	24	Provisions (Note 19)	1,487,831	1	1,459,270	1	1,420,701	1
Right-of-use assets (Notes 13 and 29)	9,538,465	5	9,657,938	6	9,868,251	6	Deferred tax liabilities	997,953	-	977,560	1	932,667	1
Investment properties (Note 14)	2,978,445	2	2,984,057	2	2,988,234	2	Lease liabilities (Notes 13, 26 and 29)	5,929,848	3	6,117,438	4	6,368,976	4
Concessions (Notes 15 and 30)	67,660,658	38	37,709,501	24	39,824,031	26	Net defined benefit liabilities	510,961	-	517,175	-	483,230	-
Goodwill (Note 15)	15,832,440	9	15,832,440	10	15,872,595	10	Guarantee deposits	1,106,395	1	1,092,364	1	1,046,326	1
Other intangible assets (Note 15)	5,438,359	3	5,536,534	4	5,654,598	4	Other non-current liabilities	462,565	-	522,116	-	522,195	-
Deferred tax assets	824,214	-	839,240	1	798,579	1	Total non-current liabilities	50,956,643	28	35,220,728	23	43,116,154	28
Incremental costs of obtaining a contract (Note 22)	2,007,740	1	2,119,052	1	2,660,094	2	Total liabilities	102,555,472	57	79,743,684	52	82,525,276	53
Other financial assets (Notes 29, 30 and 31)	271,844	-	271,653	-	147,084	-	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 21)						
Other non-current assets (Notes 16 and 29)	1,824,270	1	2,694,470	2	1,426,338	1	Common stock	35,093,545	20	34,959,441	23	34,238,338	22
Total non-current assets	148,046,263	83	124,014,259	81	126,601,896	82	Capital collected in advance	220	-	134,104	-	96,905	-
							Capital surplus	20,276,637	11	20,274,694	13	13,473,333	9
							Retained earnings						
							Legal reserve	28,922,281	16	28,922,281	19	27,558,064	18
							Special reserve	95,381	-	95,381	-	362,703	-
							Unappropriated earnings	16,223,014	9	12,909,829	8	20,058,026	13
							Other equity interests	(1,118,078)	(1)	438,905	-	237,884	-
							Treasury stock	(29,717,344)	(16)	(29,717,344)	(19)	(29,717,344)	(19)
							Total equity attributable to owners of the parent	69,775,656	39	68,017,291	44	66,307,909	43
							NON-CONTROLLING INTERESTS (Note 21)	6,400,690	4	6,158,984	4	6,373,074	4
							Total equity	76,176,346	43	74,176,275	48	72,680,983	47
TOTAL	\$ 178,731,818	100	\$ 153,919,959	100	\$ 155,206,259	100	TOTAL	\$ 178,731,818	100	\$ 153,919,959	100	\$ 155,206,259	100

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Reclassified (Note 3) Amount	%
OPERATING REVENUES (Notes 22, 29 and 34)	\$ 31,852,679	100	\$ 29,872,673	100
OPERATING COSTS (Notes 9, 29, 32 and 34)	<u>23,581,453</u>	<u>74</u>	<u>21,681,212</u>	<u>73</u>
GROSS PROFIT FROM OPERATIONS	<u>8,271,226</u>	<u>26</u>	<u>8,191,461</u>	<u>27</u>
OPERATING EXPENSES (Notes 29, 32 and 34)				
Marketing	2,433,456	8	2,689,209	9
Administrative	1,318,972	4	1,298,016	4
Research and development	49,760	-	36,956	-
Expected credit loss	<u>34,895</u>	<u>-</u>	<u>51,658</u>	<u>-</u>
Total operating expenses	<u>3,837,083</u>	<u>12</u>	<u>4,075,839</u>	<u>13</u>
OTHER INCOME AND EXPENSES, NET (Notes 29 and 34)	<u>47,863</u>	<u>-</u>	<u>112,472</u>	<u>-</u>
OPERATING INCOME (Note 34)	<u>4,482,006</u>	<u>14</u>	<u>4,228,094</u>	<u>14</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 29)	20,141	-	32,336	-
Other gains and losses, net (Note 23)	(6,228)	-	(9,406)	-
Finance costs (Note 23)	(144,658)	-	(153,087)	-
Share of profit of associates accounted for using equity method	<u>(21,328)</u>	<u>-</u>	<u>(6,986)</u>	<u>-</u>
Total non-operating income and expenses	<u>(152,073)</u>	<u>-</u>	<u>(137,143)</u>	<u>-</u>
PROFIT BEFORE TAX	4,329,933	14	4,090,951	14
INCOME TAX EXPENSE (Note 24)	<u>765,417</u>	<u>3</u>	<u>791,977</u>	<u>3</u>
NET PROFIT	<u>3,564,516</u>	<u>11</u>	<u>3,298,974</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21 and 24)				
Items that will not be reclassified subsequently to profit or loss				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(1,554,374)	(5)	324,207	1
Share of other comprehensive income of associates accounted for using equity method	3,576	-	5,494	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation	(12,964)	-	24,154	-
Share of other comprehensive loss of associates accounted for using equity method	<u>(136)</u>	<u>-</u>	<u>(3,968)</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>(1,563,898)</u>	<u>(5)</u>	<u>349,887</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,000,618</u>	<u>6</u>	<u>\$ 3,648,861</u>	<u>12</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 3,314,640	10	\$ 3,070,973	10
Non-controlling interests	<u>249,876</u>	<u>1</u>	<u>228,001</u>	<u>1</u>
	<u>\$ 3,564,516</u>	<u>11</u>	<u>\$ 3,298,974</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 1,757,422	5	\$ 3,404,238	11
Non-controlling interests	<u>243,196</u>	<u>1</u>	<u>244,623</u>	<u>1</u>
	<u>\$ 2,000,618</u>	<u>6</u>	<u>\$ 3,648,861</u>	<u>12</u>
EARNINGS PER SHARE (Note 25)				
Basic earnings per share	<u>\$ 1.18</u>		<u>\$ 1.13</u>	
Diluted earnings per share	<u>\$ 1.17</u>		<u>\$ 1.10</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						Other Equity Interests		Treasury Stock	Total	Non-controlling Interests	Total Equity
	Common Stock	Capital Collected in Advanced	Capital Surplus	Retained Earnings			Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
				Legal Reserve	Special Reserve	Unappropriated Earnings						
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
Conversion of convertible bonds to common stock	29,819	67,086	892,641	-	-	-	-	-	-	989,546	-	989,546
BALANCE, MARCH 31, 2019	\$ 34,238,338	\$ 96,905	\$ 13,473,333	\$ 27,558,064	\$ 362,703	\$ 20,058,026	\$ (14,312)	\$ 252,196	\$(29,717,344)	\$ 66,307,909	\$ 6,373,074	\$ 72,680,983
BALANCE, JANUARY 1, 2020	\$ 34,959,441	\$ 134,104	\$ 20,274,694	\$ 28,922,281	\$ 95,381	\$ 12,909,829	\$ (34,505)	\$ 473,410	\$(29,717,344)	\$ 68,017,291	\$ 6,158,984	\$ 74,176,275
Profit for the three months ended March 31, 2020	-	-	-	-	-	3,314,640	-	-	-	3,314,640	249,876	3,564,516
Other comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	(235)	(6,432)	(1,550,551)	-	(1,557,218)	(6,680)	(1,563,898)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	3,314,405	(6,432)	(1,550,551)	-	1,757,422	243,196	2,000,618
Conversion of convertible bonds to common stock	134,104	(133,884)	1,943	-	-	-	-	-	-	2,163	-	2,163
Changes in equity of associates accounted for using equity method	-	-	-	-	-	(1,220)	-	-	-	(1,220)	(1,490)	(2,710)
BALANCE, MARCH 31, 2020	\$ 35,093,545	\$ 220	\$ 20,276,637	\$ 28,922,281	\$ 95,381	\$ 16,223,014	\$ (40,937)	\$ (1,077,141)	\$(29,717,344)	\$ 69,775,656	\$ 6,400,690	\$ 76,176,346

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	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 4,329,933	\$ 4,090,951
Adjustments for:		
Depreciation expense	2,765,705	3,317,845
Amortization expense	852,734	864,492
Amortization of incremental costs of obtaining a contract	483,739	703,442
Loss on disposal of property, plant and equipment, net	14,949	15,967
Expected credit loss	34,895	51,658
Finance costs	144,658	153,087
Interest income	(18,306)	(15,313)
Share of loss of associates accounted for using equity method	21,328	6,986
Valuation (gain) loss on financial assets and liabilities at fair value through profit or loss	149	(5,686)
Others	2,398	1,959
Changes in operating assets and liabilities		
Contract assets	206,389	196,082
Notes and accounts receivable	503,080	328,811
Accounts receivable due from related parties	(19,938)	(4,290)
Other receivables	(14,876)	172,046
Inventories	1,924,022	(14,633)
Prepayments	(216,358)	(88,188)
Other current assets	68,092	25,651
Other financial assets	(1,390)	(2,592)
Incremental costs of obtaining a contract	(372,427)	(417,254)
Contract liabilities	(27,747)	(12,279)
Notes and accounts payable	(113,866)	135,856
Accounts payable due to related parties	17,171	(38,135)
Other payables	(1,186,701)	(1,152,301)
Provisions	(3,200)	2,635
Advance receipts	31,585	2,048
Other current liabilities	(179,092)	162,123
Net defined benefit liabilities	(6,214)	(27,650)
Cash inflows generated from operating activities	9,240,712	8,453,318
Interest received	1,550	183
Interest paid	(314)	(328)
Income taxes paid	(6,490)	(8,239)
Net cash generated from operating activities	<u>9,235,458</u>	<u>8,444,934</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,388,647)	(1,882,768)
Acquisition of right-of-use assets	(9,833)	(12,188)

(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	
	2020	2019
Acquisition of intangible assets	\$ (29,748,793)	\$ (85,637)
Increase in prepayments for equipment	(166,746)	(50,112)
Proceeds from disposal of property, plant and equipment	1,012	2,847
Increase in advanced receipts from assets disposals	147	219
Acquisition of financial assets at fair value through other comprehensive income	(400,000)	-
Increase in prepayments for investment	-	(100,000)
Proceeds from capital return of investments accounted for using equity method	33,298	-
Increase in refundable deposits	(71,841)	(70,081)
Decrease in refundable deposits	46,802	59,333
Increase in other financial assets	(100,227)	(21,874)
Decrease in other financial assets	1,505	11,400
Interest received	12,092	13,499
Dividend received	-	48,807
Net cash used in investing activities	<u>(31,791,231)</u>	<u>(2,086,555)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	4,660,000	(5,470,000)
Increase in short-term notes and bills payable	3,496,713	2,498,725
Proceeds from issue of bonds	19,979,415	-
Repayment of long-term borrowings	(4,051,000)	(2,051,000)
Repayment of the principal portion of lease liabilities	(997,335)	(933,727)
Increase in guarantee deposits received	34,339	75,652
Decrease in guarantee deposits received	(20,666)	(44,684)
Interest paid	<u>(106,918)</u>	<u>(96,032)</u>
Net cash generated from (used in) financing activities	<u>22,994,548</u>	<u>(6,021,066)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	<u>(1,114)</u>	<u>2,534</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	437,661	339,847
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>8,663,370</u>	<u>7,498,710</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 9,101,031</u>	<u>\$ 7,838,557</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, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Taiwan Mobile Co., Ltd. (“TWM”) was incorporated in Taiwan, the Republic of China (“ROC”) on February 25, 1997. TWM’s stock was listed on the ROC Over-the-Counter (“OTC”) Securities Exchange (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, games, e-books and value-added services.

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 700MHz, 1800MHz and 2100MHz frequency bands separately, and the aforementioned licenses are valid until December 2030 and December 2033, respectively. In February 2020, TWM acquired the fifth-generation (“5G”) concession licenses for the mobile broadband spectrum in the 3500MHz and 28000MHz, and the aforementioned licenses are valid until December 2040.

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

2. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements on April 30, 2020.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

- a. Application of 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”).

Application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

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

New IFRSs	Effective Date Announced by IASB
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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

- c. Reclassification

To enhance the understanding of the Group’s consolidated financial statements for users, the Group’s management decided to present research and development (“R&D”) expenses, which were part of operating expenses, separately in the consolidated statements of comprehensive income starting from January 1, 2020. The comparative information of R&D expenses for the three months ended March 31, 2019 was made to conform to the current period’s presentation.

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, 2019.

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, 2019.

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

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			March 31, 2020	December 31, 2019	March 31, 2019	
TWM	Taiwan Cellular Co., Ltd. (TCC)	Investment	100.00%	100.00%	100.00%	-
	Wealth Media Technology Co., Ltd. (WMT)	Investment	100.00%	100.00%	100.00%	-
	TWM Venture Co., Ltd. (TVC)	Investment	100.00%	100.00%	-	Note 1
	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 2
	Taiwan Digital Communications Co., Ltd. (TDC)	Mobile phone wholesaling and TV program production	-	-	100.00%	Note 3
	Taiwan Digital Service Co., Ltd. (TDS)	Commissioned maintenance service	100.00%	100.00%	100.00%	-
	Taihsin Property Insurance Agent Co., Ltd. (TPIA)	Property insurance agent	100.00%	100.00%	100.00%	-
	Tai-Fu Cloud Technology 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%	-
	momo.com Inc. (momo)	Wholesale and retail sales	45.01%	45.01%	45.01%	-
TFN	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00%	100.00%	100.00%	Note 2
	TFN HK Ltd.	Telecommunications service provider	-	-	100.00%	Note 3
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 2
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 4
	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%	-

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			March 31, 2020	December 31, 2019	March 31, 2019	
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%	81.99%	-
	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%	85.00%	-
	Fu Sheng Logistics Co., Ltd. (FSL)	Logistics and transport	100.00%	-	-	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%	93.55%	-

(Concluded)

Note 1: Set up in September 2019.

Note 2: TCCI, TUI and TID collectively owned 698,752 thousand shares of TWM, representing 19.91% of total outstanding shares as of March 31, 2020.

Note 3: Liquidation procedures were completed in August 2019.

Note 4: The other 70.47% of shares were held under trustee accounts.

Note 5: Set up in February 2020.

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

Employee Benefits

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

Income Tax

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty have been followed 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, 2019.

6. CASH AND CASH EQUIVALENTS

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand and revolving funds	\$ 56,520	\$ 60,483	\$ 138,842
Cash in banks	3,840,585	3,545,544	2,847,135
Time deposits	2,746,246	2,423,103	2,330,539
Government bonds with repurchase rights	<u>2,457,680</u>	<u>2,634,240</u>	<u>2,522,041</u>
	<u>\$ 9,101,031</u>	<u>\$ 8,663,370</u>	<u>\$ 7,838,557</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Investments in equity instruments - current</u>			
Domestic investments			
Listed stocks	\$ 2,827,259	\$ 239,086	\$ 238,000
Foreign investments			
Unlisted stocks	<u>2,551</u>	<u>7,407</u>	<u>14,240</u>
	<u>\$ 2,829,810</u>	<u>\$ 246,493</u>	<u>\$ 252,240</u>
<u>Investments in equity instruments - non-current</u>			
Domestic investments			
Listed stocks	\$ 553,875	\$ 4,580,516	\$ 4,329,908
Unlisted stocks	662,034	173,515	173,923
Foreign investments			
Limited partnerships	336,665	462,068	503,637
Unlisted stocks	<u>30,872</u>	<u>29,789</u>	<u>29,389</u>
	<u>\$ 1,583,446</u>	<u>\$ 5,245,888</u>	<u>\$ 5,036,857</u>

In January 2020, the Directors of TFN, one of TWM's subsidiaries, resolved that TFN would sell all its equity interest in Taiwan High Speed Rail Corporation ("THSR"), and, therefore, the subject equity investment in THSR was subsequently reclassified from non-current to current.

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. NOTES AND ACCOUNTS RECEIVABLE, NET

	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivable	\$ 71,775	\$ 224,042	\$ 140,910
Accounts receivable	7,356,572	7,793,254	7,448,209
Less: Allowance for impairment loss	<u>(320,122)</u>	<u>(345,458)</u>	<u>(419,495)</u>
	<u>\$ 7,108,225</u>	<u>\$ 7,671,838</u>	<u>\$ 7,169,624</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 receivable by individual and collective assessment were as follows:

March 31, 2020

	Not Past Due	Overdue			Total
		1 to 120 Days	121 to 365 Days	Over 365 Days	
Gross carrying amount	\$ 6,855,491	\$ 394,093	\$ 177,134	\$ 1,629	\$ 7,428,347
Loss allowance (Lifetime ECLs)	<u>(49,444)</u>	<u>(100,966)</u>	<u>(168,083)</u>	<u>(1,629)</u>	<u>(320,122)</u>
Amortized cost	<u>\$ 6,806,047</u>	<u>\$ 293,127</u>	<u>\$ 9,051</u>	<u>\$ -</u>	<u>\$ 7,108,225</u>

December 31, 2019

	Not Past Due	Overdue			Total
		1 to 120 Days	121 to 365 Days	Over 365 Days	
Gross carrying amount	\$ 7,381,152	\$ 444,507	\$ 190,353	\$ 1,284	\$ 8,017,296
Loss allowance (Lifetime ECLs)	<u>(52,054)</u>	<u>(113,011)</u>	<u>(179,114)</u>	<u>(1,279)</u>	<u>(345,458)</u>
Amortized cost	<u>\$ 7,329,098</u>	<u>\$ 331,496</u>	<u>\$ 11,239</u>	<u>\$ 5</u>	<u>\$ 7,671,838</u>

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 ECLs)	<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>

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

	Not Past Due and Past Due within 120 Days	Past Due Over 120 Days
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:

	For the Three Months Ended March 31	
	2020	2019
Beginning balance	\$ 345,458	\$ 464,049
Add: Provision	33,344	52,378
Recovery	7,511	12,853
Less: Write-off	<u>(66,191)</u>	<u>(109,785)</u>
Ending balance	<u>\$ 320,122</u>	<u>\$ 419,495</u>

9. INVENTORIES

	March 31, 2020	December 31, 2019	March 31, 2019
Merchandise	\$ 3,761,440	\$ 5,662,872	\$ 3,952,862
Materials for maintenance	<u>9,014</u>	<u>7,604</u>	<u>7,434</u>
	<u>\$ 3,770,454</u>	<u>\$ 5,670,476</u>	<u>\$ 3,960,296</u>

For the three months ended March 31, 2020 and 2019, the cost of goods sold related to inventories amounted to \$16,641,532 thousand and \$14,207,429 thousand, respectively, which included the inventory write-down totaling \$23,516 thousand, and the reversal of inventory write-down, totaling \$14,361 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	March 31, 2020		December 31, 2019		March 31, 2019	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
Global Home Shopping Co., Ltd. (GHS)	\$ 532,537	20.00	\$ 560,029	20.00	\$ 727,482	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	419,831	17.70	404,413	17.70	395,772	17.70
kbro Media Co., Ltd. (kbro Media)	129,218	32.50	136,812	32.50	148,914	32.50
TVD Shopping Co., Ltd. (TVD Shopping)	80,520	35.00	119,531	35.00	118,789	35.00
Alliance Digital Tech Co., Ltd. (ADT)	6,072	14.40	6,072	14.40	5,562	14.40
Mistake Entertainment Co., Ltd. (M.E.)	25,587	15.00	25,045	15.00	-	-
AppWorks Ventures Co., Ltd. (AppWorks)	<u>218,677</u>	51.00	<u>226,123</u>	51.00	<u>-</u>	-
	<u>\$ 1,412,442</u>		<u>\$ 1,478,025</u>		<u>\$ 1,396,519</u>	

a. GHS

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

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

b. TPE

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

As of December 2013, momo held 17.7% equity interest 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 interest of TVD Shopping.

In January 2020, an extraordinary stockholders' meeting of TVD Shopping resolved to reduce its capital stock. momo received \$33,298 thousand (THB35,000 thousand) as a proportional capital reduction in March 2020.

d. ADT

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

In 2014, TWM's percentage of ownership interest 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 interest in ADT to 14.4% 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 December 31, 2018 as the dissolution date. As of March 31, 2020, ADT was still under liquidation procedures.

e. M.E.

In May 2019, TKT acquired 15% equity interest of M.E. TKT has significant influence on M.E. due to its having a seat on M.E.'s board of directors.

f. AppWorks

In September 2019, TWM acquired 51% equity interest of AppWorks. TWM has no control over AppWorks due to its holding less than half number of seats on AppWorks' board of directors. Therefore, TWM only has significant influence on AppWorks and accounts for its investment in AppWorks as an associate of TWM, under the equity-method of accounting.

11. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Subsidiary	Proportion of Non-controlling Interests' Ownership and Voting Rights		
	March 31, 2020	December 31, 2019	March 31, 2019
momo	54.99%	54.99%	54.99%

For information on the principal place of business and the company's country of registration, see Table 8.

The summarized financial information of momo and its subsidiaries had taken into account the adjustments to acquisition-date fair value, and reflected the amounts before eliminations of intercompany transactions as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 7,927,932	\$ 7,547,400	\$ 6,339,731
Non-current assets	14,541,659	14,525,235	14,205,990
Current liabilities	(7,378,842)	(7,372,246)	(5,629,214)
Non-current liabilities	<u>(1,014,503)</u>	<u>(1,050,690)</u>	<u>(815,788)</u>
Equity	<u>\$ 14,076,246</u>	<u>\$ 13,649,699</u>	<u>\$ 14,100,719</u>
Equity attributable to:			
Owners of the parent	\$ 9,513,762	\$ 9,321,432	\$ 9,523,862
Non-controlling interests of momo	4,542,940	4,308,010	4,555,276
Non-controlling interests of momo's subsidiaries	<u>19,544</u>	<u>20,257</u>	<u>21,581</u>
	<u>\$ 14,076,246</u>	<u>\$ 13,649,699</u>	<u>\$ 14,100,719</u>

	For the Three Months Ended March 31	
	2020	2019
Operating revenues	<u>\$ 15,105,707</u>	<u>\$ 11,735,627</u>
Profit	\$ 441,331	\$ 395,590
Other comprehensive income (loss)	<u>(12,073)</u>	<u>30,033</u>
Comprehensive income	<u>\$ 429,258</u>	<u>\$ 425,623</u>
Profit (loss) attributable to:		
Owners of the parent	\$ 198,944	\$ 178,232
Non-controlling interests of momo	243,008	217,707
Non-controlling interests of momo's subsidiaries	<u>(621)</u>	<u>(349)</u>
	<u>\$ 441,331</u>	<u>\$ 395,590</u>
Comprehensive income (loss) attributable to:		
Owners of the parent	\$ 193,550	\$ 191,643
Non-controlling interests of momo	236,421	234,088
Non-controlling interests of momo's subsidiaries	<u>(713)</u>	<u>(108)</u>
	<u>\$ 429,258</u>	<u>\$ 425,623</u>
Net cash generated from operating activities	\$ 898,283	\$ 445,107
Net cash generated from (used in) investing activities	(252,937)	6,783
Net cash used in financing activities	(88,495)	(56,408)
Effect of exchange rate changes	<u>(270)</u>	<u>528</u>
Net increase in cash	<u>\$ 556,581</u>	<u>\$ 396,010</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, 2020	\$ 8,261,041	\$ 5,641,608	\$ 90,366,481	\$ 9,549,160	\$ 1,506,915	\$ 115,325,205
Additions	-	-	51,228	82,851	853,381	987,460
Reclassification	193	653	863,392	49,230	(917,192)	(3,724)
Disposals and retirements	-	-	(126,183)	(9,757)	(24)	(135,964)
Effect of exchange rate changes	<u>-</u>	<u>-</u>	<u>(834)</u>	<u>(54)</u>	<u>-</u>	<u>(888)</u>
Balance, March 31, 2020	<u>\$ 8,261,234</u>	<u>\$ 5,642,261</u>	<u>\$ 91,154,084</u>	<u>\$ 9,671,430</u>	<u>\$ 1,443,080</u>	<u>\$ 116,172,089</u>

(Continued)

	Land	Buildings	Telecommuni- cations Equipment and Machinery	Others	Construction in Progress and Equipment to Be Inspected	Total
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2020	\$ -	\$ 1,649,207	\$ 69,379,600	\$ 8,114,393	\$ -	\$ 79,143,200
Depreciation	-	40,292	1,566,092	171,413	-	1,777,797
Reclassification	-	333	-	-	-	333
Disposals and retirements	-	-	(110,441)	(9,562)	-	(120,003)
Effect of exchange rate changes	-	-	(776)	(47)	-	(823)
Balance, March 31, 2020	<u>\$ -</u>	<u>\$ 1,689,832</u>	<u>\$ 70,834,475</u>	<u>\$ 8,276,197</u>	<u>\$ -</u>	<u>\$ 80,800,504</u>
Carrying amount, January 1, 2020	<u>\$ 8,261,041</u>	<u>\$ 3,992,401</u>	<u>\$ 20,986,881</u>	<u>\$ 1,434,767</u>	<u>\$ 1,506,915</u>	<u>\$ 36,182,005</u>
Carrying amount, March 31, 2020	<u>\$ 8,261,234</u>	<u>\$ 3,952,429</u>	<u>\$ 20,319,609</u>	<u>\$ 1,395,233</u>	<u>\$ 1,443,080</u>	<u>\$ 35,371,585</u>
<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, 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>

(Concluded)

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	1-20 years
Others	1-20 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Carrying amounts</u>			
Land	\$ 577,735	\$ 565,364	\$ 595,848
Buildings	7,975,211	8,025,737	8,132,951
Telecommunications equipment and machinery	797,427	874,638	1,066,008
Others	<u>188,092</u>	<u>192,199</u>	<u>73,444</u>
	<u>\$ 9,538,465</u>	<u>\$ 9,657,938</u>	<u>\$ 9,868,251</u>
		For the Three Months Ended March 31	
		2020	2019
Additions to right-of-use assets		<u>\$ 963,995</u>	<u>\$ 759,904</u>
Depreciation charge for right-of-use assets			
Land		\$ 59,690	\$ 57,668
Buildings		860,774	835,392
Telecommunications equipment and machinery		47,214	51,357
Others		<u>15,131</u>	<u>17,110</u>
		<u>\$ 982,809</u>	<u>\$ 961,527</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2020 and 2019.

b. Lease liabilities

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Carrying amounts</u>			
Current	<u>\$ 3,579,174</u>	<u>\$ 3,532,951</u>	<u>\$ 3,407,191</u>
Non-current	<u>\$ 5,929,848</u>	<u>\$ 6,117,438</u>	<u>\$ 6,368,976</u>

Range of discount rate for lease liabilities was as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Land	0.78%-1%	0.78%-1%	0.86%-1%
Buildings	0.78%-5.44%	0.78%-5.44%	0.86%-5.44%
Telecommunications equipment and machinery	0.78%-4.38%	0.86%-4.38%	0.86%-4.38%
Others	0.78%-0.86%	0.78%-5.44%	0.86%-5.44%

c. Material lease-in activities and terms

The Group leases base transceiver stations, machine rooms, stores, offices, warehouses, maintenance centers, equipment, etc., with most of the lease terms ranging from 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 lessors' consents. The Group can early terminate the arrangements if there are any controversial or other incidental matters that will cause the leasehold assets not being able to meet the purposes of use.

d. Other lease information

	For the Three Months Ended March 31	
	2020	2019
Expenses related to short-term leases	<u>\$ 9,044</u>	<u>\$ 19,090</u>
Expenses related to low-value asset leases	<u>\$ 18,482</u>	<u>\$ 17,922</u>
Expenses related to variable lease payments and not included in the measurement of lease liabilities	<u>\$ 11,445</u>	<u>\$ 9,665</u>
Total cash outflow for leases	<u>\$ (1,069,085)</u>	<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, no recognition of right-of-use assets and lease liabilities was made for such leases.

As of March 31, 2020, December 31, 2019 and March 31, 2019, the amounts of lease commitments for short-term leases, for which the recognition exemption is applied, were \$12,105 thousand, \$19,411 thousand and \$18,527 thousand, respectively.

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, arising from income approach, comparative approach, and cost approach adopted by a third party real estate appraiser, HomeBan Appraisers Joint Firm. As of March 31, 2020, December 31, 2019 and March 31, 2019, the fair values of investment properties were \$7,355,209 thousand, \$6,989,343 thousand and \$6,971,613 thousand, respectively, and the capitalization rates for the aforementioned financial reporting periods were ranging from 1.32%-4.95%, 1.32%-4.95% and 1.32%-5.23%, respectively.

The amounts of depreciation recognized for the three months ended March 31, 2020 and 2019 were \$5,099 thousand and \$5,074 thousand, respectively.

The maturity analysis of lease payments receivable under operating leases of investment properties were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Year 1	\$ 154,693	\$ 153,723	\$ 154,767
Year 2	139,778	143,089	150,446
Year 3	132,900	133,686	136,950
Year 4	47,154	81,103	130,410
Year 5	29,413	29,888	45,179
Year 6 and thereafter	<u>41,981</u>	<u>51,310</u>	<u>69,968</u>
	<u>\$ 545,919</u>	<u>\$ 592,799</u>	<u>\$ 687,720</u>

15. INTANGIBLE ASSETS

	Concessions		Goodwill	Other Intangible Assets					Total
	Concession Licenses	Service Concessions		Computer Software	Customer Relationships	Operating Rights	Trademarks	Copyrights	
Cost									
Balance, January 1, 2020	\$ 41,043,375	\$ 8,180,078	\$ 15,872,595	\$ 4,096,570	\$ 2,654,089	\$ 1,382,000	\$ 2,517,884	\$ 25,197	\$ 75,771,788
Addition	29,656,000	-	-	29,110	-	-	18	9,582	29,694,710
Disposals and retirements	-	-	-	(5,563)	-	-	-	-	(5,563)
Reclassification	1,000,000	-	-	11,031	-	-	-	-	1,011,031
Effect of exchange rate changes	-	-	-	(138)	-	-	-	-	(138)
Balance, March 31, 2020	<u>\$ 71,699,375</u>	<u>\$ 8,180,078</u>	<u>\$ 15,872,595</u>	<u>\$ 4,131,010</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,902</u>	<u>\$ 34,779</u>	<u>\$ 106,471,828</u>
Accumulated amortization and impairment									
Balance, January 1, 2020	\$ 10,303,927	\$ 1,210,025	\$ 40,155	\$ 3,465,304	\$ 1,647,063	\$ -	\$ 1,642	\$ 25,197	\$ 16,693,313
Amortization	660,164	44,679	-	108,686	34,100	-	37	5,068	852,734
Disposals and retirements	-	-	-	(5,563)	-	-	-	-	(5,563)
Effect of exchange rate changes	-	-	-	(113)	-	-	-	-	(113)
Balance, March 31, 2020	<u>\$ 10,964,091</u>	<u>\$ 1,254,704</u>	<u>\$ 40,155</u>	<u>\$ 3,568,314</u>	<u>\$ 1,681,163</u>	<u>\$ -</u>	<u>\$ 1,679</u>	<u>\$ 30,265</u>	<u>\$ 17,540,371</u>
Carrying amount, January 1, 2020	<u>\$ 30,739,448</u>	<u>\$ 6,970,053</u>	<u>\$ 15,832,440</u>	<u>\$ 631,266</u>	<u>\$ 1,007,026</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,242</u>	<u>\$ -</u>	<u>\$ 59,078,475</u>
Carrying amount, March 31, 2020	<u>\$ 60,735,284</u>	<u>\$ 6,925,374</u>	<u>\$ 15,832,440</u>	<u>\$ 562,696</u>	<u>\$ 972,926</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,223</u>	<u>\$ 4,514</u>	<u>\$ 88,931,457</u>
Cost									
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>
Accumulated amortization and impairment									
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, 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>

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

Concession licenses	14-21 years
Service concessions	44-50 years
Computer software	1-10 years
Customer relationships	20 years
Trademarks	10 years
Copyrights	Amortized over the broadcast period

a. Concession licenses

In February 2020, TWM acquired the 5G concession licenses for the mobile broadband spectrum in the 3500MHz and 28000MHz, and paid \$30,656,000 thousand as the bid price.

b. Service concessions

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

c. Customer relationships, 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 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. (formerly "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.

d. Goodwill

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

	March 31, 2020	December 31, 2019	March 31, 2019
Telecommunications service	\$ 7,211,936	\$ 7,211,936	\$ 7,238,758
Fixed network service	357,970	357,970	357,970
Cable television business	3,269,636	3,269,636	3,269,636
Retail business	<u>4,992,898</u>	<u>4,992,898</u>	<u>5,006,231</u>
	<u>\$ 15,832,440</u>	<u>\$ 15,832,440</u>	<u>\$ 15,872,595</u>

e. Impairment of assets

See Note 16 (e) to the consolidated financial statements for the year ended December 31, 2019 for the related information on impairment of assets. There was no significant evidence indicating impairment of intangible assets as of March 31, 2020.

16. OTHER NON-CURRENT ASSETS

	March 31, 2020	December 31, 2019	March 31, 2019
Long-term accounts receivable	\$ 356,562	\$ 325,482	\$ 113,506
Refundable deposits (Note)	658,901	1,633,054	635,229
Prepayments for equipment	292,040	131,228	65,423
Prepayments for investment	-	100,000	100,000
Others	<u>516,767</u>	<u>504,706</u>	<u>512,180</u>
	<u>\$ 1,824,270</u>	<u>\$ 2,694,470</u>	<u>\$ 1,426,338</u>

Note: TWM applied for the participation in the 5G mobile spectrum auction held by NCC, and paid \$1,000,000 thousand as bid bond in October 2019, which had been reclassified as concession licenses in February 2020.

17. BORROWINGS

a. Short-term borrowings

	March 31, 2020	December 31, 2019	March 31, 2019
Unsecured loans	<u>\$ 20,930,000</u>	<u>\$ 16,270,000</u>	<u>\$ 4,800,000</u>
Annual interest rates	0.68%-0.89%	0.65%-0.95%	0.7%-0.96%

For the information on endorsements and guarantees, see Note 31(b).

b. Short-term notes and bills payable

	March 31, 2020	December 31, 2019	March 31, 2019
Short-term notes and bills payable	\$ 5,400,000	\$ 1,900,000	\$ 4,000,000
Less: Discounts on short-term notes and bills payable	<u>(2,554)</u>	<u>(1,889)</u>	<u>(2,104)</u>
	<u>\$ 5,397,446</u>	<u>\$ 1,898,111</u>	<u>\$ 3,997,896</u>
Annual interest rates	0.618%-0.638%	0.688%	0.618%-0.648%

c. Long-term borrowings

	March 31, 2020	December 31, 2019	March 31, 2019
Unsecured loans	\$ 2,000,000	\$ 6,000,000	\$ 6,000,000
Secured loans	2,838,531	2,889,373	3,141,843
Less: Current portion	<u>(303,309)</u>	<u>(303,297)</u>	<u>(303,245)</u>
	<u>\$ 4,535,222</u>	<u>\$ 8,586,076</u>	<u>\$ 8,838,598</u>
Annual interest rates:			
Unsecured loans	0.79%	0.72%-0.79%	0.72%-0.76%
Secured loans	1.7495%	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 in 2017. The agreement started from the date of the first drawdown of the loan and would last for 7 years with interest payments made on a monthly basis. In accordance with the loan agreement, the regular financial covenants, e.g. current ratio, equity ratio, and interest protection multiples, must be complied with during the credit facility period. For property under the BOT contract and its superficies that have been pledged as collateral, see Note 30 for details.

18. BONDS PAYABLE

	March 31, 2020	December 31, 2019	March 31, 2019
3rd domestic unsecured straight corporate bonds	\$ -	\$ -	\$ 4,499,767
5th domestic unsecured straight corporate bonds	14,989,550	14,988,914	14,986,988
6th domestic unsecured straight corporate bonds	19,979,481	-	-
3rd domestic unsecured convertible bonds	914,443	914,522	8,463,756
Less: Current portion	<u>-</u>	<u>-</u>	<u>(4,499,767)</u>
	<u>\$ 35,883,474</u>	<u>\$ 15,903,436</u>	<u>\$ 23,450,744</u>

a. 3rd domestic unsecured straight corporate bonds

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

The above-mentioned corporate bonds were fully liquidated in December 2019.

b. 5th domestic unsecured straight corporate bonds

On April 20, 2018, TWM issued the 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, 2020, the amount of unamortized bond issue cost was \$10,450 thousand. The trustee of bond holders is Bank of Taiwan.

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

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

c. 6th domestic unsecured straight corporate bonds

On March 24, 2020, TWM issued the 6th domestic unsecured straight corporate bonds. The bonds included five-year, seven-year, and ten-year bonds, with the principal amount of \$5,000,000 thousand, \$10,000,000 thousand and 5,000,000 thousand, each having a face value of \$10,000 thousand, and coupon rates of 0.64%, 0.66% and 0.72% per annum, respectively, with simple interest due annually. Repayment will be made in full at maturity. As of March 31, 2020, the amount of unamortized bond issue cost was \$20,519 thousand. The trustee of bond holders is Bank of Taiwan.

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

Year	Amount
2025	\$ 5,000,000
2027	10,000,000
2030	<u>5,000,000</u>
	<u>\$ 20,000,000</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 \$99.9 per share since July 15, 2019. 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, 2020, the amount of unamortized bond discount was \$13,857 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	206,239
Convertible bonds converted into common stock	<u>(1,295,088)</u>
 Liability component on March 31, 2019	 <u>\$ 8,463,756</u>
 Liability component on January 1, 2020	 \$ 914,522
Interest charged at an effective interest rate	2,085
Convertible bonds converted into common stock	<u>(2,164)</u>
 Liability component on March 31, 2020	 <u>\$ 914,443</u>

As of March 31, 2020, December 31, 2019 and March 31, 2019, the bondholders had requested to convert the bonds at face values of \$9,071,700 thousand, \$9,069,500 thousand and \$1,328,800 thousand, respectively.

19. PROVISIONS

	March 31, 2020	December 31, 2019	March 31, 2019
Restoration	\$ 1,185,404	\$ 1,183,427	\$ 1,186,767
Decommissioning	339,863	324,693	283,004
Warranties	<u>32,372</u>	<u>40,111</u>	<u>64,421</u>
	<u>\$ 1,557,639</u>	<u>\$ 1,548,231</u>	<u>\$ 1,534,192</u>
Current	\$ 69,808	\$ 88,961	\$ 113,491
Non-current	<u>1,487,831</u>	<u>1,459,270</u>	<u>1,420,701</u>
	<u>\$ 1,557,639</u>	<u>\$ 1,548,231</u>	<u>\$ 1,534,192</u>

	Restoration	Decom- missioning	Warranties	Total
Balance, January 1, 2020	\$ 1,183,427	\$ 324,693	\$ 40,111	\$ 1,548,231
Provision	9,383	12,885	9,420	31,688
Payment/Reversal	(8,368)	-	(17,159)	(25,527)
Unwinding of discount	<u>962</u>	<u>2,285</u>	<u>-</u>	<u>3,247</u>
Balance, March 31, 2020	<u>\$ 1,185,404</u>	<u>\$ 339,863</u>	<u>\$ 32,372</u>	<u>\$ 1,557,639</u>
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>

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 provisions, the Group’s contribution to the pension plan amounted to \$81,100 thousand and \$77,399 thousand for the three months ended March 31, 2020 and 2019, respectively.

b. Defined benefit plans

The Group recognized pension amounts of \$1,577 thousand and \$1,969 thousand for the three months ended March 31, 2020 and 2019, respectively, by using the actuarially determined pension cost rate.

21. EQUITY

a. Common stock

As of March 31, 2020, December 31, 2019, and March 31, 2019, TWM’s authorized capital was \$60,000,000 thousand and capital issued and outstanding were \$35,093,545 thousand, \$34,959,441 thousand and \$34,238,338 thousand, respectively, divided into 3,509,354 thousand shares, 3,495,944 thousand shares and 3,423,834 thousand shares, respectively, which were all common stocks, at a par value of \$10 each.

As of March 31, 2020, December 31, 2019, and March 31, 2019, the bondholders of the 3rd domestic unsecured convertible bonds had requested to convert the bonds into 88,544 thousand, 88,522 thousand and 12,691 thousand common stocks, respectively. TWM recognized 22 thousand, 13,410 thousand and 9,691 thousand of common stocks, respectively, as capital collected in advance, totaling \$220 thousand, \$134,104 thousand and \$96,905 thousand, respectively. TWM would complete the related corporate registrations after the issuance of new stocks on the record date in accordance with the regulations.

b. Capital surplus

	March 31, 2020	December 31, 2019	March 31, 2019
Additional paid-in capital from convertible corporate bonds	\$ 14,426,818	\$ 14,424,786	\$ 7,296,997
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	501,215
Convertible bonds payable options	37,184	37,273	347,337
Changes in equity of associates accounted for using equity method	30,801	30,801	48,147
Others	<u>34,950</u>	<u>34,950</u>	<u>33,968</u>
	<u>\$ 20,276,637</u>	<u>\$ 20,274,694</u>	<u>\$ 13,473,333</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 appropriations of earnings for 2019 and 2018 which have been proposed by the Board of Directors on April 30, 2020 and resolved in the AGM on June 12, 2019, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2019	2018
Legal reserve	\$ 1,248,117	\$ 1,364,217
Special reserve	(95,381)	(267,322)
Cash dividends	11,756,844	15,366,223
Cash dividends per share (NT\$)	4.183	5.54897

On April 30, 2020, Board of Directors proposed cash appropriation from the capital surplus generated from the excess of the issuance price over the par value of capital stock amounting to \$1,593,624 thousand, that is, \$0.567 per share. Thus, total appropriations distributed were \$4.75 per share for 2019.

TWM's 2019 earnings appropriation and cash appropriation from the capital surplus are awaiting approval in the AGM on June 18, 2020.

d. Other equity interests

	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Total
Balance, January 1, 2020	\$ (34,505)	\$ 473,410	\$ 438,905
Exchange differences on translation	(6,262)	-	(6,262)
Changes in fair value of financial assets at FVTOCI	-	(1,575,649)	(1,575,649)
Changes in other comprehensive income (loss) of associates accounted for using equity method	(170)	348	178
Income tax effect	<u>-</u>	<u>24,750</u>	<u>24,750</u>
Balance, March 31, 2020	<u>\$ (40,937)</u>	<u>\$ (1,077,141)</u>	<u>\$ (1,118,078)</u>
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>54,741</u>
Balance, March 31, 2019	<u>\$ (14,312)</u>	<u>\$ 252,196</u>	<u>\$ 237,884</u>

e. Treasury stock

As of March 31, 2020, December 31, 2019 and March 31, 2019, TWM's stocks held for the investment purposes by TCCI, TUI and TID, which are all wholly-owned by TWM, were 698,752 thousand shares, and the market values were \$69,805,285 thousand, \$78,260,179 thousand and \$77,910,804 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 stockholders, they have the same rights as the other stockholders, except that they are not allowed to subscribe new shares issued by TWM for cash and exercise the voting rights over such treasury stock.

f. Non-controlling interests

	For the Three Months Ended March 31	
	2020	2019
Beginning balance	\$ 6,158,984	\$ 6,112,176
Effect of retrospective application	-	16,275
Adjusted beginning balance	<u>6,158,984</u>	<u>6,128,451</u>
Portion attributable to non-controlling interests		
Profit	249,876	228,001
Exchange differences on translation	(6,702)	12,283
Unrealized gain (loss) on financial asset at FVTOCI	(3,475)	3,501
Share of other comprehensive income of associates accounted for using equity method	3,497	838
Changes in equity of associates accounted for using equity method	<u>(1,490)</u>	<u>-</u>
Ending balance	<u>\$ 6,400,690</u>	<u>\$ 6,373,074</u>

22. OPERATING REVENUES

	For the Three Months Ended March 31	
	2020	2019
Revenue from contracts with customers		
Telecommunications and value-added services	\$ 11,328,162	\$ 12,243,495
Sales revenue	18,802,378	15,768,204
Cable TV and broadband services	1,505,086	1,515,319
Other operating revenues	<u>217,053</u>	<u>345,655</u>
	<u>\$ 31,852,679</u>	<u>\$ 29,872,673</u>

a. Contract information

Refer to Note 34 and to Note 4 to the consolidated financial statements for the year ended December 31, 2019.

b. Contract balances

	March 31, 2020	December 31, 2019	March 31, 2019
Contract assets			
Bundle sales	\$ 8,160,142	\$ 8,366,531	\$ 8,559,044
Less: Allowance for impairment loss	<u>(69,273)</u>	<u>(71,032)</u>	<u>(72,608)</u>
	<u>\$ 8,090,869</u>	<u>\$ 8,295,499</u>	<u>\$ 8,486,436</u>
Current	\$ 4,788,514	\$ 4,832,043	\$ 5,227,317
Non-current	<u>3,302,355</u>	<u>3,463,456</u>	<u>3,259,119</u>
	<u>\$ 8,090,869</u>	<u>\$ 8,295,499</u>	<u>\$ 8,486,436</u>

For notes and accounts receivable, refer to Note 8.

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk as the trade receivables. Therefore, the Group concluded that the expected loss rates for trade receivables can be applied to the contract assets.

	March 31, 2020	December 31, 2019	March 31, 2019
Contract liabilities			
Telecommunications and value-added services	\$ 1,072,016	\$ 1,125,265	\$ 1,191,285
Sales of goods	47,651	42,417	137,552
Cable TV and broadband services	690,121	672,667	728,193
Others	<u>15,165</u>	<u>12,351</u>	<u>17,628</u>
	<u>\$ 1,824,953</u>	<u>\$ 1,852,700</u>	<u>\$ 2,074,658</u>
Current	\$ 1,782,559	\$ 1,807,407	\$ 2,021,941
Non-current	<u>42,394</u>	<u>45,293</u>	<u>52,717</u>
	<u>\$ 1,824,953</u>	<u>\$ 1,852,700</u>	<u>\$ 2,074,658</u>

The changes in balances of contract assets and contract liabilities primarily result from the timing difference between the satisfaction of performance obligation and the payments collected from customers.

c. Assets related to contract costs

	March 31, 2020	December 31, 2019	March 31, 2019
Incremental costs of obtaining a contract - non-current	<u>\$ 2,007,740</u>	<u>\$ 2,119,052</u>	<u>\$ 2,660,094</u>

The Group considered the past experience and the default clauses in the sale contracts and believed the commission and the subsidy paid for obtaining a contract are wholly recoverable, therefore, such costs are capitalized. Amortization recognized for the three months ended March 31, 2020 and 2019 were \$483,739 thousand and \$703,442 thousand, respectively.

23. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Three Months Ended March 31	
	2020	2019
Interest income	\$ 18,306	\$ 15,313
Other income	<u>1,835</u>	<u>17,023</u>
	<u>\$ 20,141</u>	<u>\$ 32,336</u>

b. Other gains and losses, net

	For the Three Months Ended March 31	
	2020	2019
Loss on disposal of property, plant and equipment, net	\$ (14,949)	\$ (15,967)
Valuation gain (loss) on financial assets at FVTPL	(149)	3,867
Valuation gain on financial liabilities at FVTPL	-	1,819
Gain on foreign exchange	9,343	1,674
Others	<u>(473)</u>	<u>(799)</u>
	<u>\$ (6,228)</u>	<u>\$ (9,406)</u>

c. Finance costs

	For the Three Months Ended March 31	
	2020	2019
Interest expense		
Bank loans	\$ 62,935	\$ 46,917
Corporate bonds	40,751	70,804
Lease liabilities	23,062	24,561
Others	<u>17,910</u>	<u>11,984</u>
	144,658	154,266
Less: Capitalized interest	<u>-</u>	<u>(1,179)</u>
	<u>\$ 144,658</u>	<u>\$ 153,087</u>
Capitalization rate	-	1.34%

24. INCOME TAX

a. Income tax recognized in profit or loss

	For the Three Months Ended March 31	
	2020	2019
Current income tax expense		
Current period	\$ 705,248	\$ 743,262
Others	<u>-</u>	<u>(17,079)</u>
	<u>705,248</u>	<u>726,183</u>
Deferred income tax expense		
Temporary differences	<u>60,169</u>	<u>65,794</u>
Income tax expense	<u>\$ 765,417</u>	<u>\$ 791,977</u>

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

	For the Three Months Ended March 31	
	2020	2019
Deferred income tax income		
Unrealized loss on financial assets at FVTOCI	<u>\$ 24,750</u>	<u>\$ 54,741</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	2017
TCC	2018
WMT	2018
TNH	2018
TFN	2018
TT&T	2017
TCCI	2018
TDC	2019
TDS	2018
TPIA	2018
TFC	2018
TUI	2018
TID	2018
TKT	2018
TFNM	2017
GFMT	2018
GWMT	2018
WTVB	2017
YJCTV	2017
MCTV	2018
PCTV	2017
UCTV	2017
GCTV	2017
momo	2017
FLI	2018
FPI	2018
FST	2018
Bebe Poshe	2018

25. EARNINGS PER SHARE

	<u>For the Three Months Ended March 31, 2020</u>		
	Amount After Income Tax	Weighted- average Number of Common Stock (In Thousands)	EPS
Basic EPS			
Profit attributable to owners of the parent	\$ 3,314,640	2,810,617	<u>\$ 1.18</u>
Effect of potential dilutive common stock:			
Employees' compensation	-	3,282	
Convertible bonds	<u>2,085</u>	<u>9,300</u>	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 3,316,725</u>	<u>2,823,199</u>	<u>\$ 1.17</u>
	<u>For the Three Months Ended March 31, 2019</u>		
	Amount After Income Tax	Weighted- average Number of Common Stock (In Thousands)	EPS
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 (adjusted for potential effect of common stock)	<u>\$ 3,089,634</u>	<u>2,819,852</u>	<u>\$ 1.10</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. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities:

For the Three Months Ended March 31, 2020

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Lease liabilities (including current and non-current portions)	<u>\$ 9,650,389</u>	<u>\$ (1,020,349)</u>	<u>\$ 962,981</u>	<u>\$ (83,999)</u>	<u>\$ 9,509,022</u>

For the Three Months Ended March 31, 2019

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Lease liabilities (including current and non-current portions)	\$ 9,980,846	\$ (958,105)	\$ 755,366	\$ (1,940)	\$ 9,776,167

27. CAPITAL MANAGEMENT

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

28. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Financial assets</u>			
Financial assets at FVTPL	\$ -	\$ 149	\$ 85,341
Financial assets at FVTOCI (including current and non-current portions)	4,413,256	5,492,381	5,289,097
Financial assets measured at amortized cost (including current and non-current portions) (Note 1)	<u>19,785,788</u>	<u>20,722,936</u>	<u>18,510,819</u>
Total	<u>\$ 24,199,044</u>	<u>\$ 26,215,466</u>	<u>\$ 23,885,257</u>
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost (including current and non-current portions) (Note 2)	<u>\$ 83,862,690</u>	<u>\$ 61,453,923</u>	<u>\$ 62,185,358</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, other financial liabilities (classified as other current liabilities), 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, 2020</u>		<u>December 31, 2019</u>		<u>March 31, 2019</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial liabilities</u>						
Bonds payable (including current portion)	\$ 35,883,474	\$ 36,058,629	\$ 15,903,436	\$ 16,077,220	\$ 27,950,511	\$ 28,728,732

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, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Equity instruments				
Limited partnerships	\$ -	\$ -	\$ -	\$ -
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 3,381,134	\$ -	\$ -	\$ 3,381,134
Domestic unlisted stocks	-	-	662,034	662,034
Limited partnerships	-	-	336,665	336,665
Foreign unlisted stocks	-	2,551	30,872	33,423
	<u>\$ 3,381,134</u>	<u>\$ 2,551</u>	<u>\$ 1,029,571</u>	<u>\$ 4,413,256</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Equity instruments				
Limited partnerships	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 149</u>	\$ <u> 149</u>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 4,819,602	\$ -	\$ -	\$ 4,819,602
Domestic unlisted stocks	-	-	173,515	173,515
Limited partnerships	-	-	462,068	462,068
Foreign unlisted stocks	<u> -</u>	<u> 7,407</u>	<u> 29,789</u>	<u> 37,196</u>
	<u>\$ 4,819,602</u>	<u>\$ 7,407</u>	<u>\$ 665,372</u>	<u>\$ 5,492,381</u>

March 31, 2019

	Level 1	Level 2	Level 3	Total
<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>

There was no transfer between the fair value measurements of Levels 1 and 2 for the three months ended March 31, 2020 and 2019.

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:

Equity instruments

The evaluation of fair value of unlisted stocks is mainly referenced to the same type of companies through the market approach or asset approach. The unobservable input parameter was liquidity discount rates, which were ranging from 20% to 30% as of March 31, 2020, December 31, 2019 and March 31, 2019.

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 unobservable input parameter was liquidity discount rates, which were estimated at 33.5%, 29.6% and 29.6% as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

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

For the Three Months Ended March 31, 2020

	Financial Assets at FVTPL - Equity Instruments	Financial Assets at FVTOCI - Equity Instruments
Balance at January 1, 2020	\$ 149	\$ 665,372
Additions	-	500,000
Recognized in profit or loss (loss on financial assets at FVTPL)	(149)	-
Recognized in other comprehensive income (unrealized loss on financial assets at FVTOCI)	-	(135,801)
Balance at March 31, 2020	<u>\$ -</u>	<u>\$1,029,571</u>

For the Three Months Ended March 31, 2019

	Financial Assets at FVTOCI - Equity Instruments
Balance at January 1, 2019	\$ 984,950
Recognized in other comprehensive income (unrealized loss on financial assets at FVTOCI)	(278,001)
Balance at March 31, 2019	<u>\$ 706,949</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, 2020, December 31, 2019 and March 31, 2019, the Group had unused bank facilities of \$56,962,756 thousand, \$56,641,022 thousand and \$65,655,019 thousand, respectively.

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

	Contractual Cash Flows	Within 1 Year	1-5 Years	More Than 5 Years
<u>March 31, 2020</u>				
Unsecured loans	\$ 22,975,677	\$ 20,967,799	\$ 2,007,878	\$ -
Secured loans	3,031,845	351,823	2,680,022	-
Short-term notes and bills payable	5,400,000	5,400,000	-	-
Bonds payable	37,653,820	274,880	12,976,940	24,402,000
Lease liabilities	<u>9,661,587</u>	<u>3,650,212</u>	<u>5,975,839</u>	<u>35,536</u>
	<u>\$ 78,722,929</u>	<u>\$ 30,644,714</u>	<u>\$ 23,640,679</u>	<u>\$ 24,437,536</u>
<u>December 31, 2019</u>				
Unsecured loans	\$ 22,351,278	\$ 16,337,490	\$ 6,013,788	\$ -
Secured loans	3,127,824	360,411	2,767,413	-
Short-term notes and bills payable	1,900,000	1,900,000	-	-
Bonds payable	16,674,020	140,880	7,443,140	9,090,000
Lease liabilities	<u>9,814,113</u>	<u>3,605,364</u>	<u>6,173,611</u>	<u>35,138</u>
	<u>\$ 53,867,235</u>	<u>\$ 22,344,145</u>	<u>\$ 22,397,952</u>	<u>\$ 9,125,138</u>
<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>

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:

	March 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 41,038	30.205	\$ 1,239,557
EUR	1,176	33.48	39,356
RMB	31,585	4.252	134,300
Non-monetary items			
USD	12,168	30.205	367,537
RMB	125,244	4.252	532,537
HKD	655	3.895	2,551
THB	86,861	0.927	80,520
<u>Foreign currency liabilities</u>			
Monetary items			
USD	13,741	30.205	415,056
EUR	95	33.48	3,175
HKD	8,530	3.895	33,225
JPY	36,276	0.28	10,150

	December 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 50,271	30.02	\$1,509,081
EUR	1,162	33.62	39,057
RMB	29,446	4.299	126,589
Non-monetary items			
USD	16,384	30.02	491,857
RMB	130,270	4.299	560,029
HKD	1,921	3.855	7,407
THB	118,371	1.01	119,531

Foreign currency liabilities

Monetary items			
USD	15,795	30.02	474,108
EUR	97	33.62	3,251
HKD	9,326	3.855	35,950
JPY	38,710	0.275	10,645

	March 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 31,295	30.845	\$ 965,322
EUR	751	34.68	26,047
RMB	29,123	4.578	133,323
Non-monetary items			
USD	17,281	30.845	533,026
RMB	158,908	4.578	727,482
HKD	3,624	3.929	14,240
THB	121,960	0.974	118,789

Foreign currency liabilities

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

Refer to Note 23(b) for the information related to the Group's realized and unrealized foreign exchange gains (losses) for the three months ended March 31, 2020 and 2019, respectively. Due to the variety of foreign currency transactions and 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 \$47,580 thousand and \$22,462 thousand for the three months ended March 31, 2020 and 2019, respectively.

b) Interest rate risk

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

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

	March 31, 2020	December 31, 2019	March 31, 2019
Fair value interest rate risk			
Financial assets	\$ 5,918,806	\$ 5,763,639	\$ 5,427,534
Financial liabilities	69,505,499	41,837,415	40,060,818
Cash flow interest rate risk			
Financial assets	4,083,053	3,697,273	2,987,472
Financial liabilities	6,138,531	9,859,372	7,141,843

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 \$2,569 thousand and \$5,193 thousand for the three months ended March 31, 2020 and 2019, 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 since the fair value of financial assets at FVTPL decreased for the three months ended March 31, 2019, and other comprehensive income would have decreased by \$220,663 thousand and \$264,455 thousand since the fair value of financial assets at FVTOCI decreased for the three months ended March 31, 2020 and 2019, respectively.

29. RELATED-PARTY TRANSACTIONS

- a. Parent company and ultimate controlling party

TWM is the ultimate controlling party of the Group.

- b. Related party name and nature of relationship

<u>Related Party</u>	<u>Nature of Relationship</u>
GHS	Associate
TPE	Associate
kbros Media	Associate
TVD Shopping	Associate
ADT	Associate
M.E.	Associate
AppWorks	Associate
Beijing Global JiuSha Media Technology Co., Ltd.	Associate (subsidiary of GHS)
GHS Trading Ltd.	Associate (subsidiary of GHS)
Beijing YueShih JiuSha Media Technology Co., Ltd.	Associate (subsidiary of GHS)
Good Image Co., Ltd.	Associate (subsidiary of kbros Media)
Fubon Life Insurance Co., Ltd.	Other related party
Fubon Insurance Co., Ltd. (Fubon Ins.)	Other related party
Fubon Securities Investment Trust Co., Ltd.	Other related party
Fubon Sports & Entertainment Co., Ltd.	Other related party
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Other related party
Fubon Financial Holding Co., Ltd.	Other related party
Fubon Life Insurance (HK) Ltd.	Other related party
Fubon Securities Co., Ltd.	Other related party
Fubon Futures Co., Ltd.	Other related party
Fubon Investment Services Co., Ltd.	Other related party
Fubon Marketing Co., Ltd.	Other related party
Fu-Sheng Life Insurance Agency Co., Ltd.	Other related party
Fu-Sheng General Insurance Agency Co., Ltd.	Other related party
Fubon Financial Venture Capital Co., Ltd.	Other related party
Fubon Gymnasium Co., Ltd.	Other related party
Fubon Asset Management Co., Ltd.	Other related party
One Production Film Co., Ltd.	Other related party
Fubon Bank (China) Co., Ltd.	Other related party
Fubon Land Development Co., Ltd.	Other related party
Fubon Property Management Co., Ltd.	Other related party
Fubon Real Estate Management Co., Ltd.	Other related party
Fubon Hospitality Management Co., Ltd.	Other related party
Chung Hsing Constructions Co., Ltd.	Other related party
Ming Dong Co., Ltd.	Other related party
Fu Yi Health Management Co., Ltd.	Other related party
Dao Ying Co., Ltd.	Other related party
Fubon Xinji Investment Co., Ltd.	Other related party
Far Eastern Memorial Hospital	Other related party
Dai-Ka Ltd.	Other related party
Chen Feng Investment Ltd.	Other related party

(Continued)

<u>Related Party</u>	<u>Nature of Relationship</u>
Chen Yun Co., Ltd.	Other related party
Xi Guo Co., Ltd.	Other related party
Cho Pharma Inc.	Other related party
Taiwan Mobile Foundation (TMF)	Other related party
Taipei New Horizon Foundation (TNHF)	Other related party
Fubon Cultural & Educational Foundation	Other related party
Fubon Charity Foundation	Other related party
Fubon Art Foundation	Other related party
Taipei Fubon Bank Charity Foundation	Other related party
Taipei New Horizon Management Agency	Other related party
Key management	Chairman, director, general manager, manager, etc.

(Concluded)

c. Significant transactions with related parties

1) Operating revenue

	For the Three Months Ended March 31	
	2020	2019
Associates	\$ 10,573	\$ 22,955
Other related parties	<u>190,359</u>	<u>186,329</u>
	<u>\$ 200,932</u>	<u>\$ 209,284</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

	For the Three Months Ended March 31	
	2020	2019
Associates	\$ 195,490	\$ 92,339
Other related parties	<u>57,932</u>	<u>128,710</u>
	<u>\$ 253,422</u>	<u>\$ 221,049</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

Account	Related Party Categories	March 31, 2020	December 31, 2019	March 31, 2019
Accounts receivable	Associates	\$ 5,181	\$ 4,729	\$ 5,937
Accounts receivable	Other related parties	<u>160,943</u>	<u>141,457</u>	<u>144,263</u>
		<u>\$ 166,124</u>	<u>\$ 146,186</u>	<u>\$ 150,200</u>
Other receivables	Associates	\$ 44,550	\$ 63,988	\$ 102,882
Other receivables	Other related parties	<u>98,340</u>	<u>65,285</u>	<u>48,727</u>
		<u>\$ 142,890</u>	<u>\$ 129,273</u>	<u>\$ 151,609</u>

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

4) Payables due to related parties

Account	Related Party Categories	March 31, 2020	December 31, 2019	March 31, 2019
Accounts payable	Associates	\$ 89,098	\$ 101,077	\$ 82,301
Accounts payable	Other related parties	<u>63,235</u>	<u>34,085</u>	<u>59,152</u>
		<u>\$ 152,333</u>	<u>\$ 135,162</u>	<u>\$ 141,453</u>
Other payables	Other related parties	<u>\$ 53,363</u>	<u>\$ 23,899</u>	<u>\$ 40,400</u>

5) Prepayments

	March 31, 2020	December 31, 2019	March 31, 2019
Other related parties	<u>\$ 49,983</u>	<u>\$ 15,803</u>	<u>\$ 65,637</u>

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

	March 31, 2020	December 31, 2019	March 31, 2019
Other related parties			
TFCB	\$ 2,249,133	\$ 2,102,334	\$ 1,567,033
Others	<u>23,544</u>	<u>18,736</u>	<u>29,014</u>
	<u>\$ 2,272,677</u>	<u>\$ 2,121,070</u>	<u>\$ 1,596,047</u>

7) Cash equivalents

For the Three Months Ended March 31, 2019

Related Party	Target Disposed	Original Purchase Price	Proceeds	Interest Income
TFCB	Government bonds with repurchase rights	\$ <u>146,013</u>	\$ <u>146,034</u>	\$ <u>21</u>

8) Others

	March 31, 2020	December 31, 2019	March 31, 2019
Guarantee deposits Other related parties	\$ <u>54,396</u>	\$ <u>54,256</u>	\$ <u>49,839</u>
Other current liabilities - receipts under custody Other related parties	\$ <u>127,140</u>	\$ <u>123,993</u>	\$ <u>84,873</u>

**For the Three Months Ended
March 31**

	2020	2019
Operating expenses Other related parties		
TMF	\$ 5,738	\$ 3,825
TNHF	3,000	3,000
Others	<u>64,569</u>	<u>69,448</u>
	\$ <u>73,307</u>	\$ <u>76,273</u>
Other income Other related parties		
TFCB	\$ <u>15,975</u>	\$ <u>-</u>

9) Lease arrangements

Acquisition of right-of-use assets

**For the Three Months Ended
March 31**

	2020	2019
Other related parties	\$ <u>681</u>	\$ <u>8,528</u>

Lease liabilities (including current and non-current portions)

	March 31, 2020	December 31, 2019	March 31, 2019
Associates	\$ -	\$ -	\$ 11,824
Other related parties	<u>566,996</u>	<u>620,621</u>	<u>697,338</u>
	<u>\$ 566,996</u>	<u>\$ 620,621</u>	<u>\$ 709,162</u>

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

d. Key management compensation

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

	For the Three Months Ended March 31	
	2020	2019
Short-term employee benefits	\$ 75,418	\$ 78,552
Termination and post-employment benefits	<u>4,896</u>	<u>12,448</u>
	<u>\$ 80,314</u>	<u>\$ 91,000</u>

30. ASSETS PLEDGED

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

	March 31, 2020	December 31, 2019	March 31, 2019
Other current financial assets	\$ 165,123	\$ 165,201	\$ 157,124
Services concessions	6,925,374	6,970,053	7,104,093
Other non-current financial assets	<u>271,844</u>	<u>271,653</u>	<u>147,084</u>
	<u>\$ 7,362,341</u>	<u>\$ 7,406,907</u>	<u>\$ 7,408,301</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	March 31, 2020	December 31, 2019	March 31, 2019
Purchases of property, plant and equipment	<u>\$ 3,202,440</u>	<u>\$ 3,670,907</u>	<u>\$ 4,878,808</u>
Purchases of cellular phones	<u>\$ 2,480,823</u>	<u>\$ 2,268,710</u>	<u>\$ 2,426,323</u>

As of March 31, 2020, December 31, 2019 and March 31, 2019, the amounts of lease commitments commencing after the balance sheet date were \$366,659 thousand, \$629,272 thousand and \$141,923 thousand, respectively.

b. As of March 31, 2020, December 31, 2019 and March 31, 2019, the amounts of endorsements and guarantees provided to group entities were all \$21,550,000 thousand.

- c. In accordance with the NCC's policy and regulations, TWM entered into a contract with First Commercial Bank Co., Ltd., which provided a performance guarantee for advance receipts from prepaid cards and electronic gift certificates, totaling \$499,452 thousand and \$20,335 thousand, respectively, as of March 31, 2020.

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, 2020, the cable television companies had provided \$78,575 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 provided a performance guarantee for advance receipts from prepaid bonuses and electronic tickets totaling \$76,906 thousand and \$42,802 thousand, respectively, as of March 31, 2020.

- 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, 2020, \$736,937 thousand (tax included) of the concession had been paid.

3) Performance guarantee:

As of March 31, 2020, 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 August 2015, Far EastOne Telecommunications ("FET") filed a civil statement of complaint with the Court, in which FET claimed 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. (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. On May 29, 2019, the judgment dismissed by the Supreme Court was as follows: regarding the portion of the High Court’s original judgment on (1) dismissed FET’s other appeal, (2) ruled the TWM’s payment obligation, and (3) ruled the litigation expenses with respect to above-mentioned two items shall be dismissed, and the Supreme Court remanded the case to the High Court. The case is now under the trial of the High Court.

32. OTHERS

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

	For the Three Months Ended March 31					
	2020			2019		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 616,493	\$ 1,250,203	\$ 1,866,696	\$ 559,729	\$ 1,192,700	\$ 1,752,429
Insurance expenses	52,601	105,873	158,474	46,044	105,421	151,465
Pension	27,335	53,903	81,238	24,925	52,589	77,514
Others	29,063	64,439	93,502	25,344	65,172	90,516
Depreciation	2,511,691	254,014	2,765,705	3,064,283	253,562	3,317,845
Amortization	765,261	571,212	1,336,473	757,649	810,285	1,567,934

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 \$101,897 thousand and \$96,063 thousand, and remuneration to directors were \$10,190 thousand and \$9,606 thousand, which were made by applying the rates to the aforementioned profit before income tax, for the three months ended March 31, 2020 and 2019, respectively.

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

The employees’ compensation and remuneration of directors of 2019 and 2018 shown below were approved by the Board of Directors on February 21, 2020 and January 31, 2019, respectively. The differences with the amounts recognized in the consolidated financial statements have been adjusted in 2020 and 2019, respectively.

	For the Year Ended December 31			
	2019		2018	
	Employees' Compensation Paid in Cash	Remuneration of Directors	Employees' Compensation Paid in Cash	Remuneration of Directors
Amounts approved by the Board of Directors	<u>\$ 437,880</u>	<u>\$ 43,788</u>	<u>\$ 459,368</u>	<u>\$ 45,937</u>
Amounts recognized in the consolidated financial statements	<u>\$ 394,092</u>	<u>\$ 39,409</u>	<u>\$ 432,341</u>	<u>\$ 43,234</u>

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: Table 4 (attached)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Table 5 (attached)
- 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 6 (attached)
- 8) Receivables from related parties of at least NT\$100 million or 20% of the paid-in capital: Table 7 (attached)
- 9) Names, locations and related information of investees on which TWM exercised significant influence: Table 8 (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 9 (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 10 (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: None
- d. Information of major stockholders, the name, the number of stocks owned, and percentage of ownership of each stockholder with ownership of 5% or greater: Table 11 (attached)

34. SEGMENT INFORMATION

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

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

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

Cable television: providing pay TV and cable broadband services.

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

For the Three Months Ended March 31, 2020	Telecommuni- cations	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$15,621,033	\$15,105,707	\$ 1,541,748	\$ 136,859	\$ (552,668)	\$31,852,679
Operating costs	9,572,570	13,626,786	787,087	80,960	(485,950)	23,581,453
Operating expenses	2,796,518	940,101	194,821	17,383	(111,740)	3,837,083
Net other income and expenses	38,337	23,113	(1,204)	-	(12,383)	47,863
Profit	3,290,282	561,933	558,636	38,516	32,639	4,482,006
EBITDA (Note)	6,494,364	753,140	740,524	86,729	25,688	8,100,445

For the Three Months Ended March 31, 2019	Telecommuni- cations	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

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	
	2020	2019
Taiwan, ROC	\$ 31,200,775	\$ 29,157,441
Overseas	<u>651,904</u>	<u>715,232</u>
	<u>\$ 31,852,679</u>	<u>\$ 29,872,673</u>

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING EXTENDED TO OTHER PARTIES
FOR THE THREE MONTHS ENDED MARCH 31, 2020

(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	\$ 311,000	1.09400%-1.09422%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 33,284,118	\$ 33,284,118	Note 2
			Other receivables	Yes	700,000	700,000	277,000	1.39378%-1.39400%	Short-term financing	-	Operation requirements	-	-	-	33,284,118	33,284,118	Note 2
2	WMT	TWM TKT TFNM WTVB	Other receivables	Yes	3,500,000	3,500,000	3,346,000	0.86989%-1.09422%	Short-term financing	-	Operation requirements	-	-	-	8,536,808	8,536,808	Note 2
			Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,536,808	8,536,808	Note 2
			Other receivables	Yes	2,770,000	2,180,000	480,000	1.09378%-1.09422%	Short-term financing	-	Operation requirements	-	-	-	8,536,808	8,536,808	Note 2
			Other receivables	Yes	600,000	600,000	460,000	1.09300%-1.09433%	Short-term financing	-	Operation requirements	-	-	-	8,536,808	8,536,808	Note 2
3	TFN	TWM TCC	Other receivables	Yes	9,000,000	9,000,000	7,323,000	1.09422%	Short-term financing	-	Operation requirements	-	-	-	21,817,767	21,817,767	Note 2
			Other receivables	Yes	700,000	700,000	277,000	1.09400%	Short-term financing	-	Operation requirements	-	-	-	21,817,767	21,817,767	Note 2
4	YJCTV	TFNM	Other receivables	Yes	100,000	100,000	100,000	1.09378%	Transactions	461,793	-	-	-	-	461,793	461,793	Notes 3 and 4
5	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	1.09378%	Transactions	538,322	-	-	-	-	538,322	538,322	Notes 3 and 4
6	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	1.09378%	Short-term financing	-	Repayment of financing	-	-	-	293,107	293,107	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, 2020

(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	\$ 8,463,325 50,000	\$ - -	30.81 0.07	\$ 69,775,656 69,775,656	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, 2020

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	March 31, 2020				Note
				Units/Shares (In Thousands)	Carrying Value	Percentage of Ownership %	Fair Value	
TWM	<u>Stock</u>							
	Chunghwa Telecom Co., Ltd.	-	Current financial assets at FVTOCI	2,174	\$ 233,652	0.028	\$ 233,652	
	Asia Pacific Telecom Co., Ltd.	-	Non-current financial assets at FVTOCI	97,171	553,875	2.55	553,875	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at FVTOCI	800	30,872	10	30,872	
	LINE Bank Taiwan Limited	-	Non-current financial assets at FVTOCI	50,000	488,013	5	488,013	
	<u>Limited Partnerships</u>							
	Grand Academy Investment, L.P.	-	Non-current financial assets at FVTOCI	-	241,700	21.67	241,700	Note 1
	Starview Heights Investment, L.P.	-	Non-current financial assets at FVTOCI	-	94,965	21.67	94,965	Note 1
TCC	<u>Stock</u>							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at FVTOCI	6,998	87,757	5.21	87,757	
WMT	<u>Limited Partnerships</u>							
	The Last Thieves, L.P.	-	Current financial assets at FVTPL	-	-	7.14	-	Note 1
TFN	<u>Stock</u>							
	Taiwan High Speed Rail Corporation	-	Current financial assets at FVTOCI	90,212	2,593,607	1.6	2,593,607	
TCCI	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	200,497	20,029,626	5.71	20,029,626	
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at FVTOCI	10,000	38,144	6.67	38,144	
TUI	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	410,665	41,025,462	11.7	41,025,462	
TID	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	87,590	8,750,197	2.5	8,750,197	
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, 2020				Note
				Units/Shares (In Thousands)	Carrying Value	Percentage of Ownership %	Fair Value	
momo	<u>Stock</u>							
	Media Asia Group Holdings Limited	-	Current financial assets at FVTOCI	43,668	\$ 2,551	2.04	\$ 2,551	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at FVTOCI	2,400	48,120	7.73	48,120	

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

Note 2: For the information on investments in subsidiaries and associates, see Table 8 and Table 10 for details.

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2020

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Units/Shares (In Thousands)	Amount	Units/Shares (In Thousands)	Amount	Units/Shares (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Units/Shares (In Thousands)	Amount
TWM	LINE Bank Taiwan Limited	Non-current financial assets at FVTOCI	-	-	-	\$ 100,000 (Note 1)	50,000	\$ 400,000	-	\$ -	\$ -	\$ -	50,000	\$ 488,013 (Note 2)

Note 1: The beginning balance is recognized as prepayments for investment.

Note 2: The ending balance includes the relevant adjustment to financial assets.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2020

(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counter-party	Relationship	Information on Previous Title Transfer If Counter-party Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
momo	Land	July 31, 2019	\$ 619,817 (Note)	momo has paid \$188,443 thousand. The remaining amounts will be settled in accordance with the contract.	Yi Jinn Industrial Co., Ltd.	-	-	-	-	\$ -	Determined by the professional appraisal report and market conditions	Set up a southern logistics center for operational needs	None

Note: Total transaction amount for the land was \$628,143 thousand in July 2019 and changed to \$619,817 thousand due to the adjustment of transaction volume in April 2020.

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, 2020

(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 momo	Subsidiary Subsidiary	Purchase	\$ 1,026,441	11	Based on contract terms	-	-	\$ (388,936)	(Note 2)	Note 3
			Sale	434,430	3	Based on contract terms	-	-	129,303	2	
TT&T	TWM	Ultimate parent	Sale	252,700	90	Based on contract terms	-	-	84,298	90	
TFNM	YJCTV PCTV	Subsidiary Subsidiary	Channel leasing fee	106,111	13	Based on contract terms	Note 1	Note 1	-	-	
			Channel leasing fee	124,190	15	Based on contract terms	Note 1	Note 1	-	-	
momo	TPE	Associate	Purchase	193,321	1	Based on contract terms	-	-	(89,098)	2	

Note 1: The companies authorized a related party to deal with the copyright fees for cable television. As the said account item is the only one, there is no comparable transaction.

Note 2: Including accounts payable and other payables.

Note 3: Accounts receivable (payable) was the net amount after being offset.

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, 2020

(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		
TWM	momo	Subsidiary	Accounts receivable	\$ 129,303	11.03	\$ -	-	\$ 125,471	\$ -
TCC	TWM	Parent	Other receivables	311,655		-	-	-	-
	TFC	Subsidiary	Other receivables	277,751		-	-	-	-
WMT	TWM	Parent	Other receivables	3,357,973		-	-	3,357,973	-
	TFNM	Subsidiary	Other receivables	482,330		-	-	482,330	-
	WTVB	Subsidiary	Other receivables	461,041		-	-	461,041	-
TFN	TWM	Ultimate parent	Accounts receivable	394,195	10.53	-	-	334,597	-
			Other receivables	7,384,344		-	-	6,327	-
	TCC	Parent	Other receivables	277,589		-	-	-	-
YJCTV	TFNM	Parent	Accounts receivable	7,034	5.11	-	-	-	-
			Other receivables	100,456		-	-	2	-
PCTV	TFNM	Parent	Accounts receivable	7,839	4.87	-	-	-	-
			Other receivables	521,454		-	-	-	-
GCTV	TFNM	Parent	Accounts receivable	3,308	4.99	-	-	-	-
			Other receivables	250,684		-	-	-	-

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, 2020

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2020			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2020	December 31, 2019	Shares (In Thousands)	Percentage of Ownership %	Carrying Value			
TWM	TCC	Taiwan	Investment	\$ 40,397,288	\$ 40,397,288	502,970	100	\$ 20,639,825	\$ 743,317	\$ 743,469	Note 1
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	21,341,133	608,911	608,963	Note 1
	TVC	Taiwan	Investment	5,000	5,000	500	100	4,829	(79)	(79)	
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,828,157	14,692	7,713	Note 1
	AppWorks	Taiwan	Venture capital, investment consulting, and management consulting	235,000	235,000	1,275	51	218,677	(8,757)	(4,682)	Note 1
	ADT	Taiwan	Technology development of mobile payment and information processing services	60,000	60,000	6,000	14.4	6,072	-	-	
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	54,545,380	680,727	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	114,767	12,914	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	228,929	2,117	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	27,400,205	1,322	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	25,000	2,500	100	106,464	1,190	-	Note 2
	TPIA	Taiwan	Property insurance agent	5,000	5,000	500	100	83,147	17,698	-	Note 2
	TFC	Taiwan	Type II telecommunications business	200,000	200,000	20,000	100	203,009	5,600	-	Note 2
WMT	TFNM	Taiwan	Type II telecommunications business	5,210,443	5,210,443	230,921	100	7,087,451	426,678	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	16,917	14	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	99,458	1,025	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	320,890	7,218	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,513,762	441,952	-	Notes 2 and 4
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	35,750,738	(83)	-	Note 2
TCCI	TID	Taiwan	Investment	3,602,782	3,602,782	104,712	100	7,630,466	(54)	-	Note 2
TFNM	TKT	Taiwan	Digital music service	156,900	156,900	14,700	100	242,689	(2,633)	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	1,750,739	(19,367)	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	660,861	13,779	-	Notes 2 and 5
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,455,339	43,834	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,004,106	10,271	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,299,456	16,068	-	Note 2
	kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	129,218	(22,889)	-	Note 2
TKT	M.E.	Taiwan	Livestreaming artists management service, digital media production, and media planning	27,000	27,000	460	15	25,587	3,725	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2020			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2020	December 31, 2019	Shares (In Thousands)	Percentage of Ownership %	Carrying Value			
GFMT	UCTV	Taiwan	Cable TV service provider	\$ 16,218	\$ 16,218	1,300	0.76	\$ 15,407	\$ 10,271	\$ -	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	98,063	16,068	-	Note 2
momo	Asian Crown (BVI)	British Virgin Islands	Investment	885,285	885,285	9,735	81.99	38,364	(2,532)	-	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	602,256	(18,755)	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	8,558	(233)	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	10,807	404	-	Note 2
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	51,914	4,088	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	419,831	53,913	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	79,490	111,935	17,150	35	80,520	1,171	-	Note 2
	Bebe Poshe	Taiwan	Wholesale of cosmetics	85,000	85,000	8,500	85	63,068	89	-	Note 2
	FSL	Taiwan	Logistics and transport	250,000	-	25,000	100	249,969	(31)	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,132,789	11,594	100	42,326	(2,580)	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,132,789	11,594	100	42,326	(2,580)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	602,256	(18,755)	-	Note 2

Note 1: Downstream transactions, upstream transactions, and consolidated unrealized gain or loss 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, 2020.

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 10 for details.

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2020

(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	Notes and accounts receivable, net	\$ 24,259	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIA	1	Notes and accounts receivable, net	57,525	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Notes and accounts receivable, net	129,303	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other receivables	32,813	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Other non-current assets	18,117	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Short-term borrowings	7,323,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	4%
		WMT	1	Short-term borrowings	3,346,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	2%
		TCC	1	Short-term borrowings	311,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Notes and accounts payable	65,716	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TKT	1	Notes and accounts payable	55,728	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Notes and accounts payable	24,401	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other payables	353,706	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WMT	1	Other payables	11,973	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Other payables	84,298	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Other payables	17,529	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Lease liabilities - current	30,407	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Lease liabilities - current	114,177	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other current liabilities	35,979	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Other current liabilities	18,679	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	\$ 36,272	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Lease liabilities - non-current	339,330	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Lease liabilities - non-current	32,020	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Lease liabilities - non-current	16,272	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating revenues	66,431	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIA	1	Operating revenues	36,252	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Operating revenues	434,430	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TFN	1	Operating costs	1,026,441	The terms of transaction are determined in accordance with mutual agreements or general business practices	3%
		TKT	1	Operating costs	54,548	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Operating costs	16,664	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Operating costs	69,049	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Operating expenses	252,700	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TFN	1	Other revenues and expenses, net	10,476	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Finance costs	20,296	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
1	TCC	TFC	1	Other receivables	277,751	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Short-term borrowings	277,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
2	WMT	TFNM	1	Other receivables	482,330	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	1	Other receivables	461,041	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
3	momo	TFNM	3	Notes and accounts payable	12,320	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		Bebe Poshe	1	Operating costs	14,049	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating costs	12,317	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	TFN	TFC	3	Notes and accounts receivable, net	\$ 16,329	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Notes and accounts receivable, net	24,409	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFC	3	Operating revenues	23,189	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating revenues	38,469	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	3	Operating expenses	26,647	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
5	TFNM	PCTV	1	Other receivables	69,350	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Other receivables	36,616	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Other receivables	26,903	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Other receivables	32,662	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		MCTV	1	Other receivables	16,215	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	100,000	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	Notes and accounts payable	21,334	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating revenues	134,650	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating revenues	115,506	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating revenues	55,200	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Operating revenues	51,510	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Operating costs	21,334	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, 2020

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2020	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of March 31, 2020	Accumulated Inward Remittance of Earnings as of March 31, 2020	Note
					Outflow	Inflow							
TWMC	Mobile application development and design	\$ 90,615 (USD 3,000)	b	\$ 147,156 (USD 4,872)	\$ -	\$ -	\$ 147,156 (USD 4,872)	\$ 357	100	\$ 357	\$ 76,815	-	
FGE	Wholesaling	329,531 (RMB 77,500)	b	802,434 (USD 14,000) (RMB 89,267)	-	-	802,434 (USD 14,000) (RMB 89,267)	(2,770)	76.7	(2,124)	27,814	-	
Haobo	Investment	46,772 (RMB 11,000)	b	-	-	-	-	(18,542)	100	(18,542)	575,314	-	
GHS	Wholesaling	212,600 (RMB 50,000)	b	-	-	-	-	(82,638)	20	(18,250)	532,537	-	

Company	Accumulated Investment in Mainland China as of March 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2)
TWM and subsidiaries	\$1,606,050 (USD18,872, RMB89,267 and HKD168,539)	\$1,606,050 (USD18,872, RMB89,267 and HKD168,539)	\$45,705,808

Note 1: The investment types are as follows:

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

Note 2: The upper limit on investment in Mainland China is calculated by 60% of the consolidated net worth.

TAIWAN MOBILE CO., LTD
INFORMATION OF MAJOR STOCKHOLDERS
MARCH 31, 2020

Name of Major Stockholder	Shares	
	Number of Shares (In Thousands)	Percentage of Ownership (%)
TUI	410,665	11.70
Shin Kong Life Insurance Co., Ltd.	323,893	9.22
TCCI	200,497	5.71
Cathay Life Insurance Co., Ltd.	187,108	5.33
Ming Dong Co., Ltd.	184,736	5.26

Note: The table discloses stockholding information of stockholders whose stockholding percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and special stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the TWM's consolidated financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.