

Taiwan Mobile Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2019 and 2018 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated financial statements of Taiwan Mobile Co., Ltd. and its subsidiaries (the "Group") as of June 30, 2019 and 2018, and the consolidated statements of comprehensive income for the three months and the six months ended June 30, 2019 and 2018, and the consolidated statement of changes in equity and cash flows for the six months ended June 30, 2019 and 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at June 30, 2019 and 2018, and of its consolidated financial performance for the three months and the six months ended June 30, 2019 and 2018 and its consolidated cash flows for the six months ended June 30, 2019 and 2018 in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34 "Interim Financial Reporting".

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

July 25, 2019

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, consolidated results of operations, and consolidated cash flows in accordance with accounting principles and practices generally accepted in Taiwan, the Republic of China ("ROC") and not those of any other jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in Taiwan, the ROC.

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2019 (Reviewed)		December 31, 2018 (Audited)		June 30, 2018 (Reviewed)		LIABILITIES AND EQUITY	June 30, 2019 (Reviewed)		December 31, 2018 (Audited)		June 30, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Notes 6 and 29)	\$ 6,774,567	4	\$ 7,498,710	5	\$ 7,620,142	5	Short-term borrowings (Note 17)	\$ 3,900,000	2	\$ 10,270,000	7	\$ 63,055	-
Financial assets at fair value through profit or loss (Note 29)	85,444	-	81,474	-	131,527	-	Short-term notes and bills payable (Note 17)	-	-	1,498,992	1	-	-
Financial assets at fair value through other comprehensive income (Note 7)	257,243	-	255,732	-	253,377	-	Contract liabilities (Note 22)	1,959,865	1	2,030,793	1	2,221,654	2
Contract assets (Note 22)	5,013,363	3	5,472,357	4	5,898,363	4	Notes and accounts payable	6,943,978	5	6,756,980	5	6,492,505	4
Notes and accounts receivable, net (Note 8)	7,359,220	5	7,531,858	5	7,448,645	5	Accounts payable due to related parties (Note 29)	191,450	-	179,588	-	168,599	-
Accounts receivable due from related parties (Note 29)	150,868	-	137,958	-	131,047	-	Dividends payable (Note 21)	15,366,223	10	-	-	15,243,655	10
Other receivables (Note 29)	2,081,099	2	2,066,105	1	1,415,939	1	Other payables (Note 29)	8,790,462	6	9,581,496	6	9,458,138	6
Inventories (Note 9)	4,075,835	3	3,945,663	3	3,581,270	2	Current tax liabilities	1,808,424	1	2,377,000	2	2,404,755	2
Prepayments (Note 29)	604,338	1	584,799	1	721,914	-	Provisions (Note 19)	109,315	-	120,334	-	156,727	-
Other financial assets (Notes 29 and 30)	573,742	-	576,542	-	1,371,426	1	Lease liabilities (Notes 13, 26 and 29)	3,424,882	2	-	-	-	-
Other current assets	120,790	-	917,689	1	908,554	1	Advance receipts	105,373	-	111,250	-	95,466	-
							Long-term liabilities, current portion (Notes 17 and 18)	4,803,111	3	6,802,916	5	9,703,140	7
Total current assets	27,096,509	18	29,068,887	20	29,482,204	19	Other current liabilities (Note 29)	2,356,830	2	2,154,154	1	2,176,433	1
							Total current liabilities	49,759,913	32	41,883,503	28	48,184,127	32
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets at fair value through other comprehensive income (Note 7)	5,924,278	4	4,763,899	3	4,426,897	3	Financial liabilities at fair value through profit or loss	-	-	1,861	-	4,961	-
Contract assets (Note 22)	3,346,768	2	3,208,519	2	3,412,662	2	Contract liabilities (Note 22)	51,023	-	56,144	-	63,514	-
Investments accounted for using equity method (Note 10)	1,431,802	1	1,435,607	1	1,441,656	1	Bonds payable (Note 18)	19,944,211	13	24,419,137	17	29,178,532	19
Property, plant and equipment (Note 12)	37,754,329	24	38,855,960	26	40,136,877	27	Long-term borrowings (Note 17)	8,787,754	6	8,889,438	6	9,091,010	6
Right-of-use assets (Notes 13 and 29)	9,666,957	6	-	-	-	-	Provisions (Note 19)	1,434,203	1	1,400,954	1	1,381,121	1
Investment properties (Note 14)	2,983,166	2	2,999,403	2	2,980,557	2	Deferred tax liabilities	949,619	1	917,261	1	897,841	1
Concessions (Notes 15 and 30)	39,119,187	25	40,528,874	27	42,044,463	28	Lease liabilities (Notes 13, 26 and 29)	6,193,616	4	-	-	-	-
Goodwill (Note 15)	15,872,595	10	15,872,595	11	15,845,930	10	Net defined benefit liabilities	477,378	-	510,880	-	401,652	-
Other intangible assets (Note 15)	5,641,739	4	5,774,176	4	5,870,301	4	Guarantee deposits	1,063,021	1	1,013,905	1	978,802	1
Deferred tax assets	818,405	1	806,521	1	840,475	1	Other non-current liabilities	522,108	-	580,249	-	590,047	-
Incremental costs of obtaining a contract (Note 22)	2,428,080	2	2,946,282	2	3,568,033	2	Total non-current liabilities	39,422,933	26	37,789,829	26	42,587,480	28
Other financial assets (Notes 29, 30 and 31)	168,054	-	131,110	-	129,845	-	Total liabilities	89,182,846	58	79,673,332	54	90,771,607	60
Other non-current assets (Notes 16 and 29)	1,351,906	1	1,275,195	1	1,234,298	1							
Total non-current assets	126,507,266	82	118,598,141	80	121,931,994	81	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 21)						
							Common stock	34,335,243	22	34,208,519	23	34,208,328	23
							Capital collected in advance	344,288	-	29,819	-	-	-
							Capital surplus	16,652,574	11	12,580,692	9	12,306,029	8
							Retained earnings						
							Legal reserve	28,922,281	19	27,558,064	19	27,558,064	18
							Special reserve	95,381	-	362,703	-	362,703	-
							Unappropriated earnings	6,800,609	4	16,954,448	11	10,685,707	7
							Other equity interests	1,128,647	1	(95,381)	-	(445,621)	-
							Treasury stock	(29,717,344)	(19)	(29,717,344)	(20)	(29,717,344)	(20)
							Total equity attributable to owners of the parent	58,561,679	38	61,881,520	42	54,957,866	36
							NON-CONTROLLING INTERESTS (Note 21)	5,859,250	4	6,112,176	4	5,684,725	4
							Total equity	64,420,929	42	67,993,696	46	60,642,591	40
TOTAL	\$ 153,603,775	100	\$ 147,667,028	100	\$ 151,414,198	100	TOTAL	\$ 153,603,775	100	\$ 147,667,028	100	\$ 151,414,198	100

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 22, 29 and 35)	\$ 29,614,551	100	\$ 28,540,108	100	\$ 59,487,224	100	\$ 58,846,427	100
OPERATING COSTS (Notes 9, 29, 33 and 35)	<u>21,490,597</u>	<u>73</u>	<u>19,592,340</u>	<u>69</u>	<u>43,171,809</u>	<u>73</u>	<u>40,974,236</u>	<u>70</u>
GROSS PROFIT FROM OPERATIONS	<u>8,123,954</u>	<u>27</u>	<u>8,947,768</u>	<u>31</u>	<u>16,315,415</u>	<u>27</u>	<u>17,872,191</u>	<u>30</u>
OPERATING EXPENSES (Notes 29, 33 and 35)								
Marketing	2,582,082	9	2,854,667	10	5,271,291	9	5,787,060	10
Administrative	1,289,766	4	1,280,170	5	2,624,738	4	2,579,290	4
Expected credit loss	<u>73,471</u>	<u>-</u>	<u>84,385</u>	<u>-</u>	<u>125,129</u>	<u>-</u>	<u>185,470</u>	<u>-</u>
Total operating expenses	<u>3,945,319</u>	<u>13</u>	<u>4,219,222</u>	<u>15</u>	<u>8,021,158</u>	<u>13</u>	<u>8,551,820</u>	<u>14</u>
NET OTHER INCOME AND EXPENSES (Note 35)	<u>147,335</u>	<u>-</u>	<u>216,626</u>	<u>1</u>	<u>259,807</u>	<u>-</u>	<u>363,503</u>	<u>1</u>
OPERATING INCOME (Note 35)	<u>4,325,970</u>	<u>14</u>	<u>4,945,172</u>	<u>17</u>	<u>8,554,064</u>	<u>14</u>	<u>9,683,874</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 23 and 29)	45,006	-	41,084	-	77,342	-	77,094	-
Other gains and losses, net (Notes 23 and 29)	(28,532)	-	(10,284)	-	(37,938)	-	(60,518)	-
Finance costs (Notes 23 and 29)	(138,631)	-	(144,657)	-	(291,718)	-	(300,411)	(1)
Share of profit (loss) of associates accounted for using equity method	<u>18,667</u>	<u>-</u>	<u>(2,945)</u>	<u>-</u>	<u>11,681</u>	<u>-</u>	<u>(7,837)</u>	<u>-</u>
Total non-operating income and expenses	<u>(103,490)</u>	<u>-</u>	<u>(116,802)</u>	<u>-</u>	<u>(240,633)</u>	<u>-</u>	<u>(291,672)</u>	<u>(1)</u>
PROFIT BEFORE TAX	4,222,480	14	4,828,370	17	8,313,431	14	9,392,202	16
INCOME TAX EXPENSE (Note 24)	<u>834,970</u>	<u>3</u>	<u>786,649</u>	<u>3</u>	<u>1,626,947</u>	<u>3</u>	<u>1,687,150</u>	<u>3</u>
PROFIT	<u>3,387,510</u>	<u>11</u>	<u>4,041,721</u>	<u>14</u>	<u>6,686,484</u>	<u>11</u>	<u>7,705,052</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21 and 24)								
Items that will not be reclassified subsequently to profit or loss								
Remeasurements from defined benefit plans	-	-	-	-	-	-	18,302	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	890,442	3	(29,855)	-	1,214,649	2	(153,054)	-
Share of other comprehensive income (loss) of associates accounted for using equity method	2,880	-	(8,703)	-	8,374	-	(9,034)	-
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translation	(7,254)	-	(5,961)	-	16,900	-	10,414	-
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>2,423</u>	<u>-</u>	<u>(3,203)</u>	<u>-</u>	<u>(1,545)</u>	<u>-</u>	<u>(3,524)</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>888,491</u>	<u>3</u>	<u>(47,722)</u>	<u>-</u>	<u>1,238,378</u>	<u>2</u>	<u>(136,896)</u>	<u>-</u>
COMPREHENSIVE INCOME	<u>\$ 4,276,001</u>	<u>14</u>	<u>\$ 3,993,999</u>	<u>14</u>	<u>\$ 7,924,862</u>	<u>13</u>	<u>\$ 7,568,156</u>	<u>13</u>
PROFIT ATTRIBUTABLE TO:								
Owners of the parent	\$ 3,205,701	11	\$ 3,796,878	13	\$ 6,276,674	11	\$ 7,278,238	12
Non-controlling interests	<u>181,809</u>	<u>-</u>	<u>244,843</u>	<u>1</u>	<u>409,810</u>	<u>-</u>	<u>426,814</u>	<u>1</u>
	<u>\$ 3,387,510</u>	<u>11</u>	<u>\$ 4,041,721</u>	<u>14</u>	<u>\$ 6,686,484</u>	<u>11</u>	<u>\$ 7,705,052</u>	<u>13</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the parent	\$ 4,096,464	14	\$ 3,761,351	13	\$ 7,500,702	13	\$ 7,149,087	12
Non-controlling interests	<u>179,537</u>	<u>-</u>	<u>232,648</u>	<u>1</u>	<u>424,160</u>	<u>-</u>	<u>419,069</u>	<u>1</u>
	<u>\$ 4,276,001</u>	<u>14</u>	<u>\$ 3,993,999</u>	<u>14</u>	<u>\$ 7,924,862</u>	<u>13</u>	<u>\$ 7,568,156</u>	<u>13</u>
EARNINGS PER SHARE (Note 25)								
Basic earnings per share	<u>\$ 1.16</u>		<u>\$ 1.39</u>		<u>\$ 2.29</u>		<u>\$ 2.67</u>	
Diluted earnings per share	<u>\$ 1.14</u>		<u>\$ 1.36</u>		<u>\$ 2.24</u>		<u>\$ 2.60</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 Advance	Capital Surplus	Retained Earnings			Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
				Legal Reserve	Special Reserve	Unappropriated Earnings							
BALANCE, JANUARY 1, 2018	\$ 34,208,328	\$ -	\$ 13,939,278	\$ 26,138,846	\$ 690,034	\$ 14,735,424	\$ (16,499)	\$ -	\$ (346,204)	\$ (29,717,344)	\$ 59,631,863	\$ 5,879,738	\$ 65,511,601
Effect of retrospective application	-	-	-	-	-	3,354,181	-	(281,785)	346,204	-	3,418,600	(39)	3,418,561
ADJUSTED BALANCE, JANUARY 1, 2018	34,208,328	-	13,939,278	26,138,846	690,034	18,089,605	(16,499)	(281,785)	-	(29,717,344)	63,050,463	5,879,699	68,930,162
Distribution of 2017 earnings													
Legal reserve	-	-	-	1,419,218	-	(1,419,218)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(327,331)	327,331	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(13,610,406)	-	-	-	-	(13,610,406)	-	(13,610,406)
Total distribution of earnings	-	-	-	1,419,218	(327,331)	(14,702,293)	-	-	-	-	(13,610,406)	-	(13,610,406)
Cash dividends from capital surplus	-	-	(1,633,249)	-	-	-	-	-	-	-	(1,633,249)	-	(1,633,249)
Profit for the six months ended June 30, 2018	-	-	-	-	-	7,278,238	-	-	-	-	7,278,238	426,814	7,705,052
Other comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	-	18,186	3,650	(150,987)	-	-	(129,151)	(7,745)	(136,896)
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	-	7,296,424	3,650	(150,987)	-	-	7,149,087	419,069	7,568,156
Changes in equity of associates accounted for using equity method	-	-	-	-	-	1,971	-	-	-	-	1,971	2,409	4,380
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(616,452)	(616,452)
BALANCE, JUNE 30, 2018	\$ 34,208,328	\$ -	\$ 12,306,029	\$ 27,558,064	\$ 362,703	\$ 10,685,707	\$ (12,849)	\$ (432,772)	\$ -	\$ (29,717,344)	\$ 54,957,866	\$ 5,684,725	\$ 60,642,591
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
Distribution of 2018 earnings													
Legal reserve	-	-	-	1,364,217	-	(1,364,217)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(267,322)	267,322	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(15,366,223)	-	-	-	-	(15,366,223)	-	(15,366,223)
Total distribution of earnings	-	-	-	1,364,217	(267,322)	(16,463,118)	-	-	-	-	(15,366,223)	-	(15,366,223)
Profit for the six months ended June 30, 2019	-	-	-	-	-	6,276,674	-	-	-	-	6,276,674	409,810	6,686,484
Other comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	-	-	7,378	1,216,650	-	-	1,224,028	14,350	1,238,378
Total comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	-	6,276,674	7,378	1,216,650	-	-	7,500,702	424,160	7,924,862
Conversion of convertible bonds to common stock	126,724	314,469	4,071,882	-	-	-	-	-	-	-	4,513,075	-	4,513,075
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(693,361)	(693,361)
BALANCE, JUNE 30, 2019	\$ 34,335,243	\$ 344,288	\$ 16,652,574	\$ 28,922,281	\$ 95,381	\$ 6,800,609	\$ (17,020)	\$ 1,145,667	\$ -	\$ (29,717,344)	\$ 58,561,679	\$ 5,859,250	\$ 64,420,929

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 8,313,431	\$ 9,392,202
Adjustments		
Depreciation expense	6,556,816	5,019,798
Amortization expense	1,725,189	1,810,921
Amortization of incremental costs of obtaining contracts	1,357,200	1,825,629
Loss on disposal of property, plant and equipment, net	37,537	31,699
Loss on disposal of intangible assets, net	-	124,618
Expected credit loss	125,129	185,470
Finance costs	291,718	300,411
Interest income	(34,270)	(33,709)
Dividend income	(6,438)	(5,081)
Reversal of impairment loss on property, plant and equipment	-	(103,586)
Share of (profit) loss of associates accounted for using equity method	(11,681)	7,837
Valuation (gain) loss on financial assets and liabilities at fair value through profit or loss	(5,789)	17,453
Others	5,217	(534)
Changes in operating assets and liabilities		
Financial assets mandatorily at fair value through profit or loss	-	691,565
Contract assets	323,453	1,285,315
Notes and accounts receivable	82,166	340,532
Accounts receivable due from related parties	(4,958)	(27,557)
Other receivables	(33,691)	372,631
Inventories	(130,172)	750,539
Prepayments	(138,434)	(225,046)
Other current assets	796,237	(780,073)
Other financial assets	(4,028)	(4,512)
Incremental costs of obtaining a contract	(838,998)	(1,226,465)
Contract liabilities	(76,049)	(498,004)
Notes and accounts payable	186,998	(1,494,921)
Accounts payable due to related parties	11,862	38,967
Other payables	(1,033,309)	(1,128,658)
Provisions	4,149	(26,951)
Advance receipts	(6,839)	10,955
Other current liabilities	202,676	18,247
Net defined benefit liabilities	(33,502)	(41,392)
Other non-current liabilities	-	(9,872)
Net cash inflows generated from operating activities	17,661,620	16,618,428
Interest received	67	524
Interest paid	(634)	(620)
Income taxes paid	(2,149,230)	(1,148,937)

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2019	2018
Net cash generated from operating activities	\$ 15,511,823	\$ 15,469,395
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(3,167,261)	(4,129,600)
Acquisition of right-of-use assets	(14,546)	-
Acquisition of intangible assets	(158,677)	(230,924)
Increase in prepayments for equipment	(73,891)	(89,005)
Increase in prepayments for investment	(100,000)	-
Proceeds from disposal of property, plant and equipment	36,126	12,124
Increase in advanced receipts from assets disposals	222	64
Acquisition of investments accounted for using equity method	(27,000)	(20,771)
Redemption of convertible notes	-	491,192
Proceeds from capital return of investments accounted for using equity method	-	31,090
Increase in refundable deposits	(145,115)	(182,835)
Decrease in refundable deposits	135,093	165,301
Increase in other financial assets	(72,735)	(82,363)
Decrease in other financial assets	43,227	1,509,500
Interest received	31,564	34,005
Dividend received	52,007	49,743
Net cash used in investing activities	<u>(3,460,986)</u>	<u>(2,442,479)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(6,370,000)	(9,600,000)
Decrease in short-term notes and bills payable	(1,498,700)	(5,595,382)
Proceeds from issue of bonds	-	14,984,564
Repayments of bonds payable	-	(2,900,000)
Repayment of long-term borrowings	(2,102,000)	(8,102,000)
Repayment of the principal portion of lease liabilities	(1,858,702)	-
Increase in guarantee deposits received	119,138	52,788
Decrease in guarantee deposits received	(70,647)	(53,501)
Cash dividends paid to non-controlling interests of subsidiaries	(693,361)	(616,452)
Interest paid	(301,990)	(209,537)
Net cash used in financing activities	<u>(12,776,262)</u>	<u>(12,039,520)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	<u>1,282</u>	<u>1,202</u>

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2019	2018
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (724,143)	\$ 988,598
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>7,498,710</u>	<u>6,631,544</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 6,774,567</u>	<u>\$ 7,620,142</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 SIX MONTHS ENDED JUNE 30, 2019 AND 2018 (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, 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 700, 1800 and 2100MHz frequency bands separately, and the aforementioned licenses are valid until December 2030 and December 2033, respectively.

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

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements on July 25, 2019.

3. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

IFRS 16 “Leases”

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

Definition of a lease

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

The Group as lessee

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

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

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

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

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

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

The Group as lessor

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of Compliance

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

Basis of Consolidation

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

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

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			June 30, 2019	December 31, 2018	June 30, 2018	
TWM	Taiwan Cellular Co., Ltd. (TCC)	Investment	100.00%	100.00%	100.00%	-
	Wealth Media Technology Co., Ltd. (WMT)	Investment	100.00%	100.00%	100.00%	-
	Taipei New Horizon Co., Ltd. (TNH)	Building and operating Songshan Cultural and Creative Park BOT project	49.90%	49.90%	49.90%	-
TCC	Taiwan Fixed Network Co., Ltd. (TFN)	Fixed-line service provider	100.00%	100.00%	100.00%	-
	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service and telephone marketing	100.00%	100.00%	100.00%	-
	TWM Holding Co., Ltd. (TWM Holding)	Investment	100.00%	100.00%	100.00%	-
	TCC Investment Co., Ltd. (TCCI)	Investment	100.00%	100.00%	100.00%	Note 1
	Taiwan Digital Communications Co., Ltd. (TDC)	Mobile phone wholesaling and TV program production	100.00%	100.00%	100.00%	Note 2
	Taiwan Digital Service Co., Ltd. (TDS)	Commissioned maintenance service	100.00%	100.00%	100.00%	-
	Taihsin Property Insurance Agent Co., Ltd. (TPIA)	Property insurance agent	100.00%	100.00%	100.00%	-
	Tai-Fu Cloud Co., Ltd. (TFC)	Type II Telecommunications Business	100.00%	100.00%	100.00%	-
WMT	TFN Media Co., Ltd. (TFNM)	Type II Telecommunications Business	100.00%	100.00%	100.00%	-
	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00%	100.00%	100.00%	-
	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00%	100.00%	100.00%	-
	Win TV Broadcasting Co., Ltd. (WTVB)	TV program provider	100.00%	100.00%	100.00%	-
	momo.com Inc. (momo)	Wholesale and retail sales	45.01%	45.01%	45.01%	-
TFN	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00%	100.00%	100.00%	Note 1
	TFN HK Ltd.	Telecommunication service provider	100.00%	100.00%	100.00%	Note 2
TWM Holding	TWM Communications (Beijing) Co., Ltd. (TWMC)	Mobile application development and design	100.00%	100.00%	100.00%	-
TCCI	TCCI Investment and Development Co., Ltd. (TID)	Investment	100.00%	100.00%	100.00%	Note 1
TFNM	Taiwan Kuro Times Co., Ltd. (TKT)	Online music service	100.00%	100.00%	100.00%	-
	Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Cable TV service provider	100.00%	100.00%	100.00%	-
	Mangrove Cable TV Co., Ltd. (MCTV)	Cable TV service provider	29.53%	29.53%	29.53%	Note 3
	Phoenix Cable TV Co., Ltd. (PCTV)	Cable TV service provider	100.00%	100.00%	100.00%	-
	Union Cable TV Co., Ltd. (UCTV)	Cable TV service provider	99.22%	99.22%	99.22%	-
	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV service provider	92.38%	92.38%	92.38%	-
GFMT	UCTV	Cable TV service provider	0.76%	0.76%	0.76%	-
GWMT	GCTV	Cable TV service provider	6.83%	6.83%	6.83%	-
momo	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	81.99%	81.99%	76.26%	Note 4

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			June 30, 2019	December 31, 2018	June 30, 2018	
momo	Honest Development Co., Ltd. (Honest Development)	Investment	100.00%	100.00%	100.00%	-
	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.00%	100.00%	100.00%	-
	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.00%	100.00%	100.00%	-
	Fu Sheng Travel Service Co., Ltd. (FST)	Travel agent	100.00%	100.00%	100.00%	-
	Bebe Poshe International Co., Ltd. (Bebe Poshe)	Wholesale of cosmetics	85.00%	85.00%	-	Note 5
Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.00%	100.00%	100.00%	-
Honest Development	Hongkong Yue Numerous Investment Co., Ltd. (HK Yue Numerous)	Investment	100.00%	100.00%	100.00%	-
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.00%	100.00%	100.00%	-
HK Yue Numerous	Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo)	Investment	100.00%	100.00%	100.00%	-
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	93.55%	93.55%	91.30%	Note 4

(Concluded)

Note 1: TCCI, TUI and TID collectively owned 698,752 thousand shares of TWM representing 20.15% of total outstanding shares as of June 30, 2019.

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

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

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

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

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

Leases

2019

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

a. The Group as lessor

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

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

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

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

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

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

b. The Group as lessee

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

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

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

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

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

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

2018

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

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

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

Employee Benefits

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

Income Tax

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Lease Terms - 2019

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

6. CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand and revolving funds	\$ 135,213	\$ 156,900	\$ 117,917
Cash in banks	2,493,915	3,603,620	4,644,284
Time deposits	1,655,350	1,588,020	890,755
Government bonds with repurchase rights	<u>2,490,089</u>	<u>2,150,170</u>	<u>1,967,186</u>
	<u>\$ 6,774,567</u>	<u>\$ 7,498,710</u>	<u>\$ 7,620,142</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Investments in equity instruments - current</u>			
Domestic investments			
Listed stocks	\$ 245,607	\$ 245,607	\$ 239,086
Foreign investments			
Unlisted stocks	<u>11,636</u>	<u>10,125</u>	<u>14,291</u>
	<u>\$ 257,243</u>	<u>\$ 255,732</u>	<u>\$ 253,377</u>
<u>Investments in equity instruments - non-current</u>			
Domestic investments			
Listed stocks	\$ 5,204,969	\$ 3,778,949	\$ 3,342,116
Unlisted stocks	176,665	181,178	177,706
Foreign investments			
Limited partnerships	513,038	775,385	879,826
Unlisted stocks	<u>29,606</u>	<u>28,387</u>	<u>27,249</u>
	<u>\$ 5,924,278</u>	<u>\$ 4,763,899</u>	<u>\$ 4,426,897</u>

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

8. NOTES AND ACCOUNTS RECEIVABLE, NET

	June 30, 2019	December 31, 2018	June 30, 2018
Notes receivable	\$ 114,937	\$ 175,658	\$ 42,505
Accounts receivable	7,645,690	7,820,249	7,882,373
Less: Allowance for impairment loss	<u>(401,407)</u>	<u>(464,049)</u>	<u>(476,233)</u>
	<u>\$ 7,359,220</u>	<u>\$ 7,531,858</u>	<u>\$ 7,448,645</u>

The main credit terms range from 30 to 90 days.

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

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

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

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

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

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

June 30, 2019

	Not Past Due	Overdue			Total
		1 to 120 days	121 to 365 days	Over 365 days	
Gross carrying amount	\$ 7,089,942	\$ 449,794	\$ 220,119	\$ 772	\$ 7,760,627
Loss allowance (Lifetime ECL)	<u>(54,820)</u>	<u>(135,534)</u>	<u>(210,281)</u>	<u>(772)</u>	<u>(401,407)</u>
Amortized cost	<u>\$ 7,035,122</u>	<u>\$ 314,260</u>	<u>\$ 9,838</u>	<u>\$ -</u>	<u>\$ 7,359,220</u>

December 31, 2018

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

June 30, 2018

	Not past due	Overdue			Total
		1 to 120 days	121 to 365 days	Over 365 days	
Gross carrying amount	\$ 7,199,024	\$ 438,636	\$ 286,905	\$ 313	\$ 7,924,878
Loss allowance (Lifetime ECL)	<u>(56,079)</u>	<u>(153,048)</u>	<u>(266,793)</u>	<u>(313)</u>	<u>(476,233)</u>
Amortized cost	<u>\$ 7,142,945</u>	<u>\$ 285,588</u>	<u>\$ 20,112</u>	<u>\$ -</u>	<u>\$ 7,448,645</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 Six Months Ended June 30	
	2019	2018
Beginning balance	\$ 464,049	\$ 468,474
Add: Provision	126,174	195,295
Recovery	22,899	24,434
Less: Write-off	<u>(211,715)</u>	<u>(211,970)</u>
Ending balance	<u>\$ 401,407</u>	<u>\$ 476,233</u>

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

	For the Six Months Ended June 30	
	2019	2018
Amount of accounts receivable sold	<u>\$ 583,132</u>	<u>\$ 620,643</u>
Proceeds of the sale of accounts receivable	<u>\$ 35,389</u>	<u>\$ 37,590</u>

9. INVENTORIES

	June 30, 2019	December 31, 2018	June 30, 2018
Merchandise	\$ 4,068,730	\$ 3,936,724	\$ 3,569,558
Materials for maintenance	<u>7,105</u>	<u>8,939</u>	<u>11,712</u>
	<u>\$ 4,075,835</u>	<u>\$ 3,945,663</u>	<u>\$ 3,581,270</u>

For the three months and the six months ended June 30, 2019, the cost of goods sold related to the inventories amounted to \$14,080,057 thousand and \$28,287,486 thousand, respectively, which included the inventory write-down, totaling \$17,204 thousand and \$2,843 thousand, respectively.

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

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	June 30, 2019		December 31, 2018		June 30, 2018	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
Global Home Shopping Co., Ltd. (GHS)	\$ 737,623	20.00	\$ 766,529	20.00	\$ 736,425	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	390,869	17.70	385,706	17.70	403,146	17.70
kbro Media Co., Ltd. (kbro Media)	146,424	32.50	154,847	32.50	171,423	32.50
TVD Shopping Co., Ltd. (TVD Shopping)	124,946	35.00	119,889	35.00	117,431	35.00
Alliance Digital Tech Co., Ltd. (ADT)	5,562	14.40	8,636	14.40	13,231	14.40
Mistake Entertainment Co., Ltd. (M.E.)	<u>26,378</u>	15.00	<u>-</u>	-	<u>-</u>	-
	<u>\$ 1,431,802</u>		<u>\$ 1,435,607</u>		<u>\$ 1,441,656</u>	

a. GHS

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

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

b. TPE

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

As of December 2013, momo held 17.7% equity interests of TPE due to its not subscribing for new stock issued by TPE and selling part of its stock when TPE went public. momo still has significant influence on TPE due to its having two seats on TPE's board of directors.

c. TVD Shopping

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

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

d. ADT

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

In 2014, TWM's percentage of ownership interests in ADT decreased to 13.33% as TWM did not subscribe for any newly issued ADT stock. In December 2016, TWM increased its percentage of ownership interests in ADT to 14.4% 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 June 30, 2019, ADT was still under liquidation procedures.

e. M.E.

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

11. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Subsidiary	Proportion of Non-controlling Interests' Ownership and Voting Rights		
	June 30,	December 31,	June 30,
	2019	2018	2018
momo	54.99%	54.99%	54.99%

For information on the principal place of business and the company's country of registration, see Table 7.

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

	June 30, 2019	December 31, 2018	June 30, 2018	
Current assets	\$ 5,641,988	\$ 6,168,249	\$ 4,362,349	
Non-current assets	14,176,547	13,531,769	13,547,608	
Current liabilities	(5,880,175)	(5,772,994)	(4,699,709)	
Non-current liabilities	<u>(790,289)</u>	<u>(281,454)</u>	<u>(273,010)</u>	
Equity	<u>\$ 13,148,071</u>	<u>\$ 13,645,570</u>	<u>\$ 12,937,238</u>	
Equity attributable to:				
Owners of the parent	\$ 9,094,946	\$ 9,318,968	\$ 9,015,373	
Non-controlling interests of momo	4,031,362	4,305,001	3,934,164	
Non-controlling interests of momo's subsidiaries	<u>21,763</u>	<u>21,601</u>	<u>(12,299)</u>	
	<u>\$ 13,148,071</u>	<u>\$ 13,645,570</u>	<u>\$ 12,937,238</u>	
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Operating revenues	<u>\$ 11,815,431</u>	<u>\$ 9,630,352</u>	<u>\$ 23,551,058</u>	<u>\$ 19,814,161</u>
Profit	\$ 311,908	\$ 419,395	\$ 707,498	\$ 726,358
Other comprehensive income (loss)	<u>(4,029)</u>	<u>(22,258)</u>	<u>26,004</u>	<u>(14,011)</u>
Comprehensive income	<u>\$ 307,879</u>	<u>\$ 397,137</u>	<u>\$ 733,502</u>	<u>\$ 712,347</u>

(Continued)

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2019	2018	2019	2018
Profit (loss) attributable to:				
Owners of the parent	\$ 140,266	\$ 189,421	\$ 318,498	\$ 328,301
Non-controlling interests of momo	171,334	231,374	389,041	401,015
Non-controlling interests of momo's subsidiaries	<u>308</u>	<u>(1,400)</u>	<u>(41)</u>	<u>(2,958)</u>
	<u>\$ 311,908</u>	<u>\$ 419,395</u>	<u>\$ 707,498</u>	<u>\$ 726,358</u>
Comprehensive income (loss) attributable to:				
Owners of the parent	\$ 138,509	\$ 179,359	\$ 330,152	\$ 322,043
Non-controlling interests of momo	169,188	219,083	403,276	393,369
Non-controlling interests of momo's subsidiaries	<u>182</u>	<u>(1,305)</u>	<u>74</u>	<u>(3,065)</u>
	<u>\$ 307,879</u>	<u>\$ 397,137</u>	<u>\$ 733,502</u>	<u>\$ 712,347</u>

(Concluded)

	For the Six Months Ended	
	2019	2018
Net cash generated from operating activities	\$ 777,366	\$ 728,640
Net cash used in investing activities	(44,740)	(577,734)
Net cash used in financing activities	(1,383,962)	(1,115,676)
Effect of exchange rate changes	<u>196</u>	<u>81</u>
Net decrease in cash	<u>\$ (651,140)</u>	<u>\$ (964,689)</u>
Dividends paid to non-controlling interests	<u>\$ (693,102)</u>	<u>\$ (616,090)</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Telecommunications Equipment and Machinery	Others	Construction in Progress and Equipment to Be Inspected	Total
<u>Cost</u>						
Balance, January 1, 2019	\$ 8,289,085	\$ 5,672,957	\$ 87,623,044	\$ 9,346,834	\$ 1,349,217	\$ 112,281,137
Additions	-	1,116	411,538	139,932	3,036,403	3,588,989
Reclassification	3,708	3,960	2,794,598	64,091	(2,866,685)	(328)
Disposals and retirements	(18,112)	(22,599)	(727,282)	(216,445)	(2)	(984,440)
Effect of exchange rate changes	<u>-</u>	<u>-</u>	<u>993</u>	<u>65</u>	<u>-</u>	<u>1,058</u>
Balance, June 30, 2019	<u>\$ 8,274,681</u>	<u>\$ 5,655,434</u>	<u>\$ 90,102,891</u>	<u>\$ 9,334,477</u>	<u>\$ 1,518,933</u>	<u>\$ 114,886,416</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, 2019	\$ 1,662	\$ 1,499,982	\$ 64,521,396	\$ 7,402,137	\$ -	\$ 73,425,177
Depreciation	-	80,746	3,989,505	544,968	-	4,615,219
Reclassification	-	1,573	-	-	-	1,573
Disposals and retirements	-	(8,238)	(687,712)	(214,827)	-	(910,777)
Effect of exchange rate changes	-	-	851	44	-	895
Balance, June 30, 2019	<u>\$ 1,662</u>	<u>\$ 1,574,063</u>	<u>\$ 67,824,040</u>	<u>\$ 7,732,322</u>	<u>\$ -</u>	<u>\$ 77,132,087</u>
Carrying amount, January 1, 2019	<u>\$ 8,287,423</u>	<u>\$ 4,172,975</u>	<u>\$ 23,101,648</u>	<u>\$ 1,944,697</u>	<u>\$ 1,349,217</u>	<u>\$ 38,855,960</u>
Carrying amount, June 30, 2019	<u>\$ 8,273,019</u>	<u>\$ 4,081,371</u>	<u>\$ 22,278,851</u>	<u>\$ 1,602,155</u>	<u>\$ 1,518,933</u>	<u>\$ 37,754,329</u>
<u>Cost</u>						
Balance, January 1, 2018	\$ 8,250,857	\$ 5,552,706	\$ 84,505,063	\$ 8,924,688	\$ 1,766,195	\$ 108,999,509
Additions	-	10,075	105,142	241,186	3,191,949	3,548,352
Reclassification	(20,134)	68,399	2,630,523	273,790	(2,999,107)	(46,529)
Disposals and retirements	(2,784)	(1,164)	(2,176,907)	(290,775)	(682)	(2,472,312)
Effect of exchange rate changes	-	-	957	62	-	1,019
Balance, June 30, 2018	<u>\$ 8,227,939</u>	<u>\$ 5,630,016</u>	<u>\$ 85,064,778</u>	<u>\$ 9,148,951</u>	<u>\$ 1,958,355</u>	<u>\$ 110,030,039</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2018	\$ 83,426	\$ 1,369,660	\$ 59,427,788	\$ 6,515,214	\$ -	\$ 67,396,088
Depreciation	-	78,291	4,268,323	663,227	-	5,009,841
Reversal of Impairment loss	(81,764)	(21,822)	-	-	-	(103,586)
Reclassification	-	(3,468)	(1,061)	-	-	(4,529)
Disposals and retirements	-	(439)	(2,121,804)	(283,221)	-	(2,405,464)
Effect of exchange rate changes	-	-	779	33	-	812
Balance, June 30, 2018	<u>\$ 1,662</u>	<u>\$ 1,422,222</u>	<u>\$ 61,574,025</u>	<u>\$ 6,895,253</u>	<u>\$ -</u>	<u>\$ 69,893,162</u>
Carrying amount, June 30, 2018	<u>\$ 8,226,277</u>	<u>\$ 4,207,794</u>	<u>\$ 23,490,753</u>	<u>\$ 2,253,698</u>	<u>\$ 1,958,355</u>	<u>\$ 40,136,877</u>

(Concluded)

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

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

- b. The fair values of parts of TWM's properties (land and buildings) were measured using Level 3 inputs using income approach and comparative approach by HomeBan Appraisers Joint Firm. As the recoverable amount, fair value less cost to sell, is higher than the carrying amount, an impairment loss is reversed to the extent of the impairment losses that have been recognized in previous years. For the six months ended June 30, 2018, the reversal of impairment loss of \$103,586 thousand was included in other gains and losses in the statement of comprehensive income.

13. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	June 30, 2019	
<u>Carrying amounts</u>		
Land		\$ 577,501
Buildings		7,996,247
Telecommunications equipment and machinery		1,016,339
Others		<u>76,870</u>
		<u>\$ 9,666,957</u>
	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Additions to right-of-use assets		<u>\$1,606,997</u>
Depreciation charge for right-of-use assets		
Land	\$ 58,333	\$ 116,001
Buildings	843,588	1,678,980
Telecommunications equipment and machinery	51,724	103,081
Others	<u>16,283</u>	<u>33,393</u>
	<u>\$ 969,928</u>	<u>\$1,931,455</u>

b. Lease liabilities - 2019

	June 30, 2019	
<u>Carrying amounts</u>		
Current		<u>\$ 3,424,882</u>
Non-current		<u>\$ 6,193,616</u>

Range of discount rate for lease liabilities was as follows:

	June 30, 2019
Land	0.86%-1%
Buildings	0.86%-5.44%
Telecommunications equipment and machinery	0.86%-4.38%
Others	0.86%-5.44%

c. Material lease-in activities and terms

The Group leases base transceiver stations, machine rooms, stores, offices, warehouses, maintenance centers, telecommunications equipment, etc., with most 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 make the leasehold assets not being able to meet the purposes of use.

d. Other lease information

Leases, with respect to the Group's investment properties, under operating lease arrangements are set out in Note 14.

2019

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Expenses related to short-term leases	<u>\$ 16,734</u>	<u>\$ 35,824</u>
Expenses related to low-value asset leases	<u>\$ 17,091</u>	<u>\$ 35,013</u>
Expenses related to variable lease payments and not included in the measurement of lease liabilities	<u>\$ 10,199</u>	<u>\$ 19,864</u>
Total cash outflow for leases	<u>\$ (1,001,217)</u>	<u>\$ (2,018,022)</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.

The amount of lease commitments for short-term leases, for which the recognition exemption is applied, is \$5,531 thousand.

2018

Non-cancellable rental payables with respect to operating leases were as follows:

	December 31, 2018	June 30, 2018
Less than one year	\$ 3,440,873	\$ 3,217,774
Between one and five years	5,876,088	5,376,299
More than five years	<u>41,277</u>	<u>67,997</u>
	<u>\$ 9,358,238</u>	<u>\$ 8,662,070</u>

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

The payments of leases and subleases were as follows:

	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018
Minimum lease payments	\$ 948,667	\$ 1,897,227
Receipts from subleases	<u>(2,031)</u>	<u>(4,889)</u>
	<u>\$ 946,636</u>	<u>\$ 1,892,338</u>

14. INVESTMENT PROPERTIES

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

The fair values of investment properties were measured by 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 June 30, 2019, December 31, 2018 and June 30, 2018, the fair values of investment properties were \$6,971,613 thousand, \$6,979,581 thousand and \$6,758,719 thousand, respectively, and the capitalization rates for the aforementioned financial reporting periods were 1.32%-5.23%, 1.32%-5.23% and 0.94%-5.23%, respectively.

The amounts of depreciation recognized for the three months and the six months ended June 30, 2019 and 2018 were \$5,068 thousand, \$4,995 thousand, \$10,142 thousand, and \$9,957 thousand, respectively.

The maturity analysis of lease payments receivable under operating leases of investment properties as of June 30, 2019 was as follows:

	June 30, 2019
Year 1	\$ 153,523
Year 2	148,737
Year 3	134,280
Year 4	130,409
Year 5	28,048
Year 6 and thereafter	<u>65,304</u>
	<u>\$ 660,301</u>

The Group leases out investment properties under operating leases. The future minimum lease-payment receivables under non-cancellable leases as of December 31 and June 30, 2018 are as follows:

	December 31, 2018	June 30, 2018
Less than one year	\$ 152,807	\$ 152,398
Between one and five years	502,272	557,335
More than five years	<u>79,298</u>	<u>93,291</u>
	<u>\$ 734,377</u>	<u>\$ 803,024</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, 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	-	-	-	93,048	-	-	-	5,274	98,322
Disposals and retirements	-	-	-	(138,990)	-	-	-	-	(138,990)
Reclassification	-	-	-	84,685	-	-	-	-	84,685
Effect of exchange rate changes	-	-	-	164	-	-	-	-	164
Balance, June 30, 2019	<u>\$ 41,043,375</u>	<u>\$ 8,180,078</u>	<u>\$ 15,872,595</u>	<u>\$ 3,946,537</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,866</u>	<u>\$ 20,496</u>	<u>\$ 75,617,036</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	1,320,327	89,360	-	240,525	68,200	-	74	6,703	1,725,189
Disposals and retirements	-	-	-	(138,990)	-	-	-	-	(138,990)
Effect of exchange rate changes	-	-	-	106	-	-	-	-	106
Balance, June 30, 2019	<u>\$ 8,983,601</u>	<u>\$ 1,120,665</u>	<u>\$ -</u>	<u>\$ 3,278,578</u>	<u>\$ 1,578,863</u>	<u>\$ -</u>	<u>\$ 1,567</u>	<u>\$ 20,241</u>	<u>\$ 14,983,515</u>
Carrying amount, January 1, 2019	<u>\$ 33,380,101</u>	<u>\$ 7,148,773</u>	<u>\$ 15,872,595</u>	<u>\$ 730,693</u>	<u>\$ 1,143,426</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,373</u>	<u>\$ 1,684</u>	<u>\$ 62,175,645</u>
Carrying amount, June 30, 2019	<u>\$ 32,059,774</u>	<u>\$ 7,059,413</u>	<u>\$ 15,872,595</u>	<u>\$ 667,959</u>	<u>\$ 1,075,226</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,299</u>	<u>\$ 255</u>	<u>\$ 60,633,521</u>
Cost									
Balance, January 1, 2018	\$ 51,324,375	\$ 8,180,078	\$ 15,845,930	\$ 3,529,068	\$ 2,654,089	\$ 1,382,000	\$ 2,517,866	\$ -	\$ 85,433,406
Addition	-	-	-	173,311	-	-	-	1,071	174,382
Disposals and retirements	(3,427,000)	-	-	(48,566)	-	-	-	-	(3,475,566)
Reclassification	-	-	-	148,962	-	-	-	-	148,962
Effect of exchange rate changes	-	-	-	158	-	-	-	-	158
Balance, June 30, 2018	<u>\$ 47,897,375</u>	<u>\$ 8,180,078</u>	<u>\$ 15,845,930</u>	<u>\$ 3,802,933</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,866</u>	<u>\$ 1,071</u>	<u>\$ 82,281,342</u>
Accumulated amortization and impairment									
Balance, January 1, 2018	\$ 14,981,287	\$ 852,586	\$ -	\$ 2,851,117	\$ 1,374,263	\$ -	\$ 1,333	\$ -	\$ 20,060,586
Amortization	1,412,139	89,360	-	241,141	68,200	-	81	-	1,810,921
Disposals and retirements	(3,302,382)	-	-	(48,566)	-	-	-	-	(3,350,948)
Effect of exchange rate changes	-	-	-	89	-	-	-	-	89
Balance, June 30, 2018	<u>\$ 13,091,044</u>	<u>\$ 941,946</u>	<u>\$ -</u>	<u>\$ 3,043,781</u>	<u>\$ 1,442,463</u>	<u>\$ -</u>	<u>\$ 1,414</u>	<u>\$ -</u>	<u>\$ 18,520,648</u>
Carrying amount, June 30, 2018	<u>\$ 34,806,331</u>	<u>\$ 7,238,132</u>	<u>\$ 15,845,930</u>	<u>\$ 759,152</u>	<u>\$ 1,211,626</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,452</u>	<u>\$ 1,071</u>	<u>\$ 63,760,694</u>

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

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

a. Concession licenses

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

b. Service concessions

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

c. Customer relationships, operating rights, and trademarks

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

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

d. Goodwill

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

	June 30, 2019	December 31, 2018	June 30, 2018
Telecommunications service	\$ 7,238,758	\$ 7,238,758	\$ 7,238,758
Fixed network service	357,970	357,970	357,970
Cable television business	3,269,636	3,269,636	3,269,636
Retail business	<u>5,006,231</u>	<u>5,006,231</u>	<u>4,979,566</u>
	<u>\$ 15,872,595</u>	<u>\$ 15,872,595</u>	<u>\$ 15,845,930</u>

e. Impairment of assets

See Note 16 (e) to the consolidated financial statements for the year ended December 31, 2018 for the related information on impairment of assets. There was no significant evidence indicating impairment of intangible assets as of June 30, 2019.

16. OTHER NON-CURRENT ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018
Long-term accounts receivable	\$ 98,239	\$ 101,740	\$ 63,832
Refundable deposits	634,680	634,512	625,818
Prepayments for investment	100,000	-	-
Prepayments for equipment	19,903	29,256	32,534
Others	<u>499,084</u>	<u>509,687</u>	<u>512,114</u>
	<u>\$ 1,351,906</u>	<u>\$ 1,275,195</u>	<u>\$ 1,234,298</u>

17. BORROWINGS

a. Short-term borrowings

	June 30, 2019	December 31, 2018	June 30, 2018
Unsecured loans	<u>\$ 3,900,000</u>	<u>\$ 10,270,000</u>	<u>\$ 63,055</u>
Annual interest rate	0.7%-0.96%	0.7%-0.96%	5.44%

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

b. Short-term notes and bills payable

	June 30, 2019	December 31, 2018	June 30, 2018
Short-term notes and bills payable	\$ -	\$ 1,500,000	\$ -
Less: Discount on short-term notes and bills payable	<u>-</u>	<u>(1,008)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 1,498,992</u>	<u>\$ -</u>
Annual interest rate	-	0.788%-0.798%	-

c. Long-term borrowings

	June 30, 2019	December 31, 2018	June 30, 2018
Unsecured loans	\$ 6,000,000	\$ 8,000,000	\$ 11,000,000
Secured loans	3,091,010	3,192,674	3,294,320
Less: Current portion	<u>(303,256)</u>	<u>(2,303,236)</u>	<u>(5,203,310)</u>
	<u>\$ 8,787,754</u>	<u>\$ 8,889,438</u>	<u>\$ 9,091,010</u>
Annual interest rate:			
Unsecured loans	0.72%-0.76%	0.75%-1.07%	0.72%-1.22%
Secured loans	2.0337%	2.0337%	2.0337%

1) Unsecured loans

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

2) Secured loans

TNH entered into a syndicated loan agreement, with respect to the investment under the aforementioned BOT contract. The credit agreement originally signed in 2010 has been early terminated. TNH signed another credit agreement with Bank of Taiwan for a \$3,400,000 thousand credit amount and a \$65,000 thousand guarantee amount on September 5, 2017. The agreement started from the date of the first drawdown of the loan and would last for 7 years with interest payments made on a monthly basis. In accordance with the loan agreement, the regular financial covenants, e.g. current ratio, equity ratio, and interest protection multiples, must be complied with during the credit facility period. For property under the BOT contract and its superficies that have been pledged as collateral, see Note 30 for details.

18. BONDS PAYABLE

	June 30, 2019	December 31, 2018	June 30, 2018
3rd domestic unsecured straight corporate bonds	\$ 4,499,855	\$ 4,499,680	\$ 8,999,336
5th domestic unsecured straight corporate bonds	14,987,625	14,986,357	14,985,068
3rd domestic unsecured convertible bonds	4,956,586	9,432,780	9,693,958
Less: Current portion	<u>(4,499,855)</u>	<u>(4,499,680)</u>	<u>(4,499,830)</u>
	<u>\$ 19,944,211</u>	<u>\$ 24,419,137</u>	<u>\$ 29,178,532</u>

a. 3rd domestic unsecured straight corporate bonds

On December 20, 2012, TWM issued \$9,000,000 thousand of the 3rd seven-year domestic unsecured bonds; each bond had a face value of \$10,000 thousand and a coupon rate of 1.34% per annum, with simple interest due annually. Repayment will be made in the sixth and seventh years in equal installments, i.e., \$4,500,000 thousand. As of June 30, 2019, the amount of unamortized bond issue cost was \$145 thousand. The trustee of bond holders is Hua Nan Commercial Bank.

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

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

b. 4th domestic unsecured straight corporate bonds

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

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

c. 5th domestic unsecured straight corporate bonds

On April 20, 2018, TWM issued 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 June 30, 2019, the amount of unamortized bond issue cost was \$12,375 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>

d. 3rd domestic unsecured convertible bonds

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

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

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

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 0.9149% per annum on initial recognition. As of June 30, 2019, the amount of unamortized bond discount was \$109,914 thousand.

Proceeds of the issuance (minus transaction costs \$10,870 thousand)	\$ 9,989,130
Equity component	(400,564)
Financial liabilities	<u>(35,961)</u>
Liability component at the date of issuance	9,552,605
Interest charged at an effective interest rate	<u>141,353</u>
Liability component on June 30, 2018	<u>\$ 9,693,958</u>
Liability component on January 1, 2019	\$ 9,432,780
Interest charged at an effective interest rate	36,839
Convertible bonds converted into common stock	<u>(4,513,033)</u>
Liability component on June 30, 2019	<u>\$ 4,956,586</u>

As of June 30, 2019, the bondholders had requested to convert the bonds at face value of \$4,933,500 thousand.

19. PROVISIONS

	June 30, 2019	December 31, 2018	June 30, 2018
Restoration	\$ 1,185,905	\$ 1,184,823	\$ 1,192,374
Decommissioning	297,472	268,536	240,954
Warranties	<u>60,141</u>	<u>67,929</u>	<u>104,520</u>
	<u>\$ 1,543,518</u>	<u>\$ 1,521,288</u>	<u>\$ 1,537,848</u>
Current	\$ 109,315	\$ 120,334	\$ 156,727
Non-current	<u>1,434,203</u>	<u>1,400,954</u>	<u>1,381,121</u>
	<u>\$ 1,543,518</u>	<u>\$ 1,521,288</u>	<u>\$ 1,537,848</u>

	Restoration	Decom- missioning	Warranties	Total
Balance, January 1, 2019	\$ 1,184,823	\$ 268,536	\$ 67,929	\$ 1,521,288
Provision	24,091	25,117	39,686	88,894
Payment/Reversal	(25,145)	-	(47,474)	(72,619)
Unwinding of discount	<u>2,136</u>	<u>3,819</u>	<u>-</u>	<u>5,955</u>
Balance, June 30, 2019	<u>\$ 1,185,905</u>	<u>\$ 297,472</u>	<u>\$ 60,141</u>	<u>\$ 1,543,518</u>
Balance, January 1, 2018	\$ 1,208,093	\$ 213,372	\$ 128,412	\$ 1,549,877
Provision	25,498	24,480	52,610	102,588
Payment/Reversal	(43,956)	-	(76,502)	(120,458)
Unwinding of discount	<u>2,739</u>	<u>3,102</u>	<u>-</u>	<u>5,841</u>
Balance, June 30, 2018	<u>\$ 1,192,374</u>	<u>\$ 240,954</u>	<u>\$ 104,520</u>	<u>\$ 1,537,848</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 contributions to the pension plans amounted to \$76,886 thousand and \$75,905 thousand for the three months ended June 30, 2019 and 2018, respectively, and \$154,285 thousand and \$152,423 thousand for the six months ended June 30, 2019 and 2018, respectively.

b. Defined benefit plan

The Group recognized pension amount of \$1,968 thousand and \$1,996 thousand for the three months ended June 30, 2019 and 2018, respectively, and \$3,937 thousand and \$3,992 thousand for the six months ended June 30, 2019 and 2018, respectively, by using the actuarially determined pension cost rate.

21. EQUITY

a. Common stock

As of June 30, 2019, December 31, 2018, and June 30, 2018, TWM's authorized capital was \$60,000,000 thousand and capital issued and outstanding was \$34,335,243 thousand, \$34,208,519 thousand and \$34,208,328 thousand, respectively, divided into 3,433,524 thousand shares, 3,420,852 thousand shares and 3,420,833 thousand shares, respectively, which were all common stocks, at a par value of \$10 each.

As of June 30, 2019, the bondholders of the 3rd domestic unsecured convertible bonds had requested to convert the bonds into 47,120 thousand common stocks. TWM recognized 34,429 thousand of common stocks as capital collected in advance, totaling \$344,288 thousand. 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

	June 30, 2019	December 31, 2018	June 30, 2018
Additional paid-in capital from convertible corporate bonds	\$ 10,620,629	\$ 6,363,714	\$ 6,075,515
Treasury stock transactions	5,159,704	5,159,704	5,159,704
Difference between consideration and carrying amount arising from the disposal of subsidiaries' stock	85,965	85,965	85,965
Changes in equity of subsidiaries	501,215	501,215	511,562
Convertible bonds payable options	202,946	387,979	400,564
Changes in equity of associates accounted for using equity method	48,147	48,147	39,767
Others	<u>33,968</u>	<u>33,968</u>	<u>32,952</u>
	<u>\$ 16,652,574</u>	<u>\$ 12,580,692</u>	<u>\$ 12,306,029</u>

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

c. Appropriation of earnings and dividend policy

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

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

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

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

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

The 2018 and 2017 earnings appropriations which have been resolved in the AGM on June 12, 2019 and June 12, 2018, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2018	For Fiscal Year 2017	For Fiscal Year 2018	For Fiscal Year 2017
Appropriation of legal reserve	\$ 1,364,217	\$ 1,419,218		
Reversal from special reserve	(267,322)	(327,331)		
Cash dividends to stockholders	15,366,223	13,610,406	\$ 5.54897	\$ 5

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

As of June 30, 2019, the cash dividends to shareholders of TWM amounted to \$15,366,223 thousand and were recognized under dividends payable.

d. Other equity interests

	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Total
Balance, January 1, 2019	\$ (24,398)	\$ (70,983)	\$ -	\$ (95,381)
Exchange differences on translation	8,150	-	-	8,150
Changes in fair value of financial assets at FVTOCI	-	1,158,964	-	1,158,964
Changes in other comprehensive income (loss) of associates accounted for using equity method	(772)	4,927	-	4,155
Income tax effect	<u>-</u>	<u>52,759</u>	<u>-</u>	<u>52,759</u>
Balance, June 30, 2019	<u>\$ (17,020)</u>	<u>\$1,145,667</u>	<u>\$ -</u>	<u>\$1,128,647</u>
Balance, January 1, 2018	\$ (16,499)	\$ -	\$ (346,204)	\$ (362,703)
Effect of retrospective application	<u>-</u>	<u>(281,785)</u>	<u>346,204</u>	<u>64,419</u>
Adjusted balance, January 1, 2018	(16,499)	(281,785)	-	(298,284)
Exchange differences on translation	5,353	-	-	5,353
Changes in fair value of FVTOCI - financial asset	-	(125,553)	-	(125,553)
Changes in other comprehensive income (loss) of associates accounted for using equity method	(1,703)	(6,628)	-	(8,331)
Income tax effect	<u>-</u>	<u>(18,806)</u>	<u>-</u>	<u>(18,806)</u>
Balance, June 30, 2018	<u>\$ (12,849)</u>	<u>\$ (432,772)</u>	<u>\$ -</u>	<u>\$ (445,621)</u>

e. Treasury stock

As of June 30, 2019, December 31, 2018 and June 30, 2018, TWM's stocks held for the investment purposes by TCCI, TUI and TID, which are all wholly-owned by TWM, were 698,752 thousand shares in total, and the market values were \$85,597,071 thousand, \$74,417,046 thousand and \$77,212,052 thousand, respectively. Since TWM's stocks held by its subsidiaries are regarded as treasury stock, TWM recognized \$29,717,344 thousand as treasury stock. For those treasury stock holders, they have the same rights as the other shareholders, except that they are not allowed to subscribe new shares issued by TWM for cash and exercise the voting rights over such treasury stock.

f. Non-controlling interests

	For the Six Months Ended June 30	
	2019	2018
Beginning balance	\$ 6,112,176	\$ 5,879,738
Effect of retrospective application	<u>16,275</u>	<u>(39)</u>
Adjusted beginning balance	6,128,451	5,879,699
Portion attributable to non-controlling interests		
Profit	409,810	426,814
Exchange differences on translation	8,750	5,061
Unrealized gain (loss) on financial asset at FVTOCI	2,926	(8,695)
Share of other comprehensive income (loss) of associates accounted for using equity method	2,674	(4,257)
Changes in equity of associates accounted for using equity method	-	2,409
Remeasurements from defined benefit plans	-	146
Cash dividends paid to non-controlling interests of subsidiaries	<u>(693,361)</u>	<u>(616,452)</u>
Ending balance	<u>\$ 5,859,250</u>	<u>\$ 5,684,725</u>

22. OPERATING REVENUES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Revenue from contracts with customers				
Telecommunications and value-added services	\$ 12,167,090	\$ 13,988,459	\$ 24,410,585	\$ 27,735,823
Sales revenue	15,619,361	12,661,140	31,387,565	27,397,084
Cable TV and broadband services	1,498,128	1,551,167	3,013,447	3,106,812
Other operating revenues	<u>329,972</u>	<u>339,342</u>	<u>675,627</u>	<u>606,708</u>
	<u>\$ 29,614,551</u>	<u>\$ 28,540,108</u>	<u>\$ 59,487,224</u>	<u>\$ 58,846,427</u>

a. Contract information

Please refer to Note 35 and to Note 4 to the consolidated financial statements for the year ended December 31, 2018.

b. Contract balances

	June 30, 2019	December 31, 2018	June 30, 2018
Contract assets			
Bundle sales	\$ 8,431,673	\$ 8,755,126	\$ 9,390,648
Less: Allowance for impairment loss	<u>(71,542)</u>	<u>(74,250)</u>	<u>(79,623)</u>
	<u>\$ 8,360,131</u>	<u>\$ 8,680,876</u>	<u>\$ 9,311,025</u>
Current	\$ 5,013,363	\$ 5,472,357	\$ 5,898,363
Non-current	<u>3,346,768</u>	<u>3,208,519</u>	<u>3,412,662</u>
	<u>\$ 8,360,131</u>	<u>\$ 8,680,876</u>	<u>\$ 9,311,025</u>

For notes and accounts receivable, please 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.

	June 30, 2019	December 31, 2018	June 30, 2018
Contract liabilities			
Telecommunications and value-added services	\$ 1,155,553	\$ 1,235,446	\$ 1,430,709
Sales of goods	132,549	141,343	92,738
Cable TV and broadband services	706,464	694,228	740,650
Others	<u>16,322</u>	<u>15,920</u>	<u>21,071</u>
	<u>\$ 2,010,888</u>	<u>\$ 2,086,937</u>	<u>\$ 2,285,168</u>
Current	\$ 1,959,865	\$ 2,030,793	\$ 2,221,654
Non-current	<u>51,023</u>	<u>56,144</u>	<u>63,514</u>
	<u>\$ 2,010,888</u>	<u>\$ 2,086,937</u>	<u>\$ 2,285,168</u>

c. Assets related to contract costs

	June 30, 2019	December 31, 2018	June 30, 2018
Incremental costs of obtaining a contract - non-current	<u>\$ 2,428,080</u>	<u>\$ 2,946,282</u>	<u>\$ 3,568,033</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 June 30, 2019 and 2018 were \$653,758 thousand and \$921,671 thousand, respectively, and for the six months ended June 30, 2019 and 2018 were \$1,357,200 thousand and \$1,825,629 thousand, respectively.

23. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Interest income	\$ 18,957	\$ 14,680	\$ 34,270	\$ 33,709
Dividend income	6,438	5,081	6,438	5,081
Other income	<u>19,611</u>	<u>21,323</u>	<u>36,634</u>	<u>38,304</u>
	<u>\$ 45,006</u>	<u>\$ 41,084</u>	<u>\$ 77,342</u>	<u>\$ 77,094</u>

b. Other gains and losses, net

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Loss on disposal of property, plant and equipment, net	\$ (21,570)	\$ (9,568)	\$ (37,537)	\$ (31,699)
Loss on disposal of intangible assets, net	-	(124,618)	-	(124,618)
Valuation gain (loss) on financial assets at FVTPL	103	6,394	3,970	(22,453)
Valuation gain on financial liabilities at FVTPL	-	2,000	1,819	5,000
Reversal of impairment loss on property, plant and equipment	-	103,586	-	103,586
Gain (loss) on foreign exchange	(6,126)	13,359	(4,452)	12,663
Others	<u>(939)</u>	<u>(1,437)</u>	<u>(1,738)</u>	<u>(2,997)</u>
	<u>\$ (28,532)</u>	<u>\$ (10,284)</u>	<u>\$ (37,938)</u>	<u>\$ (60,518)</u>

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Interest expense				
Bank loans	\$ 36,784	\$ 52,224	\$ 83,701	\$ 130,252
Corporate bonds	67,166	82,814	137,970	143,858
Lease liabilities	24,247	-	48,808	-
Others	<u>11,643</u>	<u>11,401</u>	<u>23,627</u>	<u>29,529</u>
	139,840	146,439	294,106	303,639
Less: Capitalized interest	<u>(1,209)</u>	<u>(1,782)</u>	<u>(2,388)</u>	<u>(3,228)</u>
	<u>\$ 138,631</u>	<u>\$ 144,657</u>	<u>\$ 291,718</u>	<u>\$ 300,411</u>
Capitalization rates	1.34%	1.34%	1.34%	1.34%

24. INCOME TAX

a. Income tax recognized in profit or loss

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Current income tax expense				
Current period	\$ 792,115	\$ 785,568	\$ 1,535,377	\$ 1,660,103
Prior years' adjustment	47,711	(74,222)	47,711	(85,060)
Others	-	(10,198)	(17,079)	(32,253)
	<u>839,826</u>	<u>701,148</u>	<u>1,566,009</u>	<u>1,542,790</u>
Deferred income tax expense				
Temporary differences	(4,856)	86,400	60,938	142,398
Changes in tax rates	-	(899)	-	1,962
	<u>(4,856)</u>	<u>85,501</u>	<u>60,938</u>	<u>144,360</u>
Income tax expense	<u>\$ 834,970</u>	<u>\$ 786,649</u>	<u>\$ 1,626,947</u>	<u>\$ 1,687,150</u>

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

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Deferred income tax expense (income)				
Unrealized (gain) loss on financial assets at FVTOCI	\$ 1,982	\$ 18,806	\$ (52,759)	\$ 18,806
Changes in tax rates - Remeasurements from defined benefit plans	-	-	-	(18,302)
Income tax expense (income)	<u>\$ 1,982</u>	<u>\$ 18,806</u>	<u>\$ (52,759)</u>	<u>\$ 504</u>

c. Income tax examinations

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

<u>Company</u>	<u>Year</u>
TWM	2017
TCC	2017
WMT	2017
TNH	2017
TFN	2017
TT&T	2017
TCCI	2017
TDC	Final report of 2019 has been examined and assessed (except 2018 not yet examined and assessed)
TDS	2017
TPIA	2017
TFNM	2016
GFMT	2017
GWMT	2017
WTVB	2017
TUI	2017
TID	2017
TKT	2017
YJCTV	2016
MCTV	2017
PCTV	2016
UCTV	2016
GCTV	2016
momo	2017
FLI	2017
FPI	2017
FST	2017
Bebe Poshe	2017

25. EARNINGS PER SHARE

	<u>For the Three Months Ended June 30, 2019</u>		
	<u>Amount After Income Tax</u>	<u>Weighted- average Number of Common Stock</u>	<u>EPS</u>
Basic EPS			
Profit attributable to owners of the parent	\$ 3,205,701	2,747,493	<u>\$ 1.16</u>
Effect of potential dilutive common stock:			
Employees' compensation	-	1,612	
Convertible bonds	<u>16,359</u>	<u>70,099</u>	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 3,222,060</u>	<u>2,819,204</u>	<u>\$ 1.14</u>

	For the Three Months Ended June 30, 2018		
	Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of the parent	\$ 3,796,878	2,722,081	<u>\$ 1.39</u>
Effect of potential dilutive common stock			
Employees' compensation	-	2,101	
Convertible bonds	<u>20,087</u>	<u>90,662</u>	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 3,816,965</u>	<u>2,814,844</u>	<u>\$ 1.36</u>
	For the Six Months Ended June 30, 2019		
	Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of the parent	\$ 6,276,674	2,738,127	<u>\$ 2.29</u>
Effect of potential dilutive common stock:			
Employees' compensation	-	2,308	
Convertible bonds	<u>35,020</u>	<u>79,465</u>	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 6,311,694</u>	<u>2,819,900</u>	<u>\$ 2.24</u>
	For the Six Months Ended June 30, 2018		
	Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of the parent	\$ 7,278,238	2,722,081	<u>\$ 2.67</u>
Effect of potential dilutive common stock			
Employees' compensation	-	2,797	
Convertible bonds	<u>38,882</u>	<u>90,662</u>	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 7,317,120</u>	<u>2,815,540</u>	<u>\$ 2.60</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 Six Months Ended June 30, 2019

	<u>Opening Balance</u>	<u>Cash Flows</u>	<u>Non-cash Changes</u>		<u>Closing Balance</u>
			<u>New Leases</u>	<u>Others</u>	
Lease liabilities (including current and non-current portions)	\$ 9,980,846	\$ (1,907,216)	\$ 1,599,238	\$ (54,370)	\$ 9,618,498

27. CAPITAL MANAGEMENT

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

28. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	June 30, 2019	December 31, 2018	June 30, 2018
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 85,444	\$ 81,474	\$ 131,527
Financial assets at FVTOCI (including current and non-current portions)	6,181,521	5,019,631	4,680,274
Financial assets measured at amortized cost (including current and non-current portions) (Note 1)	<u>17,840,469</u>	<u>18,678,535</u>	<u>18,806,694</u>
Total	<u>\$ 24,107,434</u>	<u>\$ 23,779,640</u>	<u>\$ 23,618,495</u>
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost (including current and non-current portions) (Note 2)	\$ 70,312,318	\$ 69,992,701	\$ 80,967,483
Financial liabilities at FVTPL	<u>-</u>	<u>1,861</u>	<u>4,961</u>
Total	<u>\$ 70,312,318</u>	<u>\$ 69,994,562</u>	<u>\$ 80,972,444</u>

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

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

b. Fair value of financial instruments

1) Financial instruments not at fair value

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

	<u>June 30, 2019</u>		<u>December 31, 2018</u>		<u>June 30, 2018</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>						
Bonds payable (including current portion)	\$ 24,444,066	\$ 25,407,096	\$ 28,918,817	\$ 29,495,234	\$ 33,678,362	\$ 34,464,540

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

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

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

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

June 30, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Beneficiary certificates	\$ 85,444	\$ -	\$ -	\$ 85,444
<u>Financial assets at FVTOCI</u>				
<u>Equity instruments</u>				
Domestic listed stocks	\$ 5,450,576	\$ -	\$ -	\$ 5,450,576
Domestic unlisted stocks	-	-	176,665	176,665
Limited partnerships	-	-	513,038	513,038
Foreign unlisted stocks	-	11,636	29,606	41,242
	\$ 5,450,576	\$ 11,636	\$ 719,309	\$ 6,181,521
<u>Financial liabilities at FVTPL</u>				
	\$ -	\$ -	\$ -	\$ -

December 31, 2018

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

June 30, 2018

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

There was no transfer between the fair value measurements of Levels 1 and 2 for the six months ended June 30, 2019 and 2018.

Valuation techniques and assumptions used in fair value determination

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

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

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

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

i. Equity instruments

The significant and unobservable input parameter for assessing the unlisted stocks and limited partnerships held by the Group mainly relates to liquidity discount rate. The evaluation of fair value of unlisted stocks is mainly referenced to the same type of companies through the market approach. The fair value of limited partnerships investments was evaluated through the market approach and income approach. The evaluation and assumptions are mainly referenced to related information of comparable market targets and estimated future cash flows. The liquidity discount rate was estimated at 29.6%, 28% and 28% as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

ii. Hybrid instruments

Convertible notes were redeemed at maturity in May 2018.

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

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

For the Six Months Ended June 30, 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)	<u>(265,641)</u>
Balance at June 30, 2019	<u>\$ 719,309</u>

For the Six Months Ended June 30, 2018

	Financial Assets at FVTPL - Convertible Notes	Financial Assets at FVTOCI - Equity Instruments
Balance at January 1, 2018	\$ 490,931	\$ 956,286
Recognized in profit or loss (gain on financial assets at FVTPL)	261	-
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	128,495
Redeem	<u>(491,192)</u>	<u>-</u>
Balance at June 30, 2018	<u>\$ -</u>	<u>\$ 1,084,781</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 June 30, 2019, December 31, 2018 and June 30, 2018, the Group had unused bank facilities of \$68,773,236 thousand, \$58,376,758 thousand and \$67,638,462 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>June 30, 2019</u>				
Unsecured loans	\$ 9,989,158	\$ 3,948,134	\$ 6,041,024	\$ -
Secured loans	3,369,161	363,503	1,011,845	1,993,813
Bonds payable	25,370,320	4,701,180	11,579,140	9,090,000
Lease liabilities	<u>9,795,025</u>	<u>3,508,470</u>	<u>6,155,542</u>	<u>131,013</u>
	<u>\$ 48,523,664</u>	<u>\$ 12,521,287</u>	<u>\$ 24,787,551</u>	<u>\$ 11,214,826</u>
<u>December 31, 2018</u>				
Unsecured loans	\$ 18,370,540	\$ 12,336,530	\$ 6,034,010	\$ -
Secured loans	3,503,401	366,594	1,020,143	2,116,664
Short-term notes and bills payable	1,500,000	1,500,000	-	-
Bonds payable	<u>30,130,500</u>	<u>4,701,180</u>	<u>16,249,320</u>	<u>9,180,000</u>
	<u>\$ 53,504,441</u>	<u>\$ 18,904,304</u>	<u>\$ 23,303,473</u>	<u>\$ 11,296,664</u>

	Contractual Cash Flows	Within 1 Year	1-5 Years	More Than 5 Years
<u>June 30, 2018</u>				
Unsecured loans	\$ 11,171,486	\$ 5,141,660	\$ 6,029,826	\$ -
Secured loans	3,649,693	269,516	1,036,575	2,343,602
Bonds payable	<u>35,065,300</u>	<u>4,761,480</u>	<u>21,123,820</u>	<u>9,180,000</u>
	<u>\$ 49,886,479</u>	<u>\$ 10,172,656</u>	<u>\$ 28,190,221</u>	<u>\$ 11,523,602</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:

	June 30, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 29,425	4.52	\$ 133,000
USD	32,611	31.08	1,013,537
EUR	871	35.34	30,781
Non-monetary items			
RMB	163,191	4.52	737,623
USD	17,460	31.08	542,644
HKD	2,926	3.977	11,636
THB	122,918	1.017	124,946
<u>Foreign currency liabilities</u>			
Monetary items			
USD	18,899	31.08	587,364
EUR	101	35.34	3,552
HKD	11,431	3.977	45,461
JPY	42,138	0.288	12,123

	December 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 17,207	4.464	\$ 76,812
USD	37,052	30.79	1,140,858
EUR	609	35.05	21,323
Non-monetary items			
RMB	171,713	4.464	766,529
USD	26,105	30.79	803,772
HKD	2,576	3.93	10,125
THB	125,776	0.953	119,889
<u>Foreign currency liabilities</u>			
Monetary items			
USD	11,702	30.79	360,320
EUR	19	35.05	677
	June 30, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 17,881	4.614	\$ 82,501
USD	27,268	30.575	833,722
EUR	765	35.36	27,065
Non-monetary items			
RMB	159,607	4.614	736,425
USD	29,667	30.575	907,075
HKD	3,668	3.896	14,291
THB	127,131	0.924	117,431
<u>Foreign currency liabilities</u>			
Monetary items			
USD	12,065	30.575	368,893
EUR	34	35.36	1,209

The Group's foreign exchange gains and losses, including realized and unrealized, for the three months ended June 30, 2019 and 2018, were net exchange loss of \$6,126 thousand and net exchange gain amounted to \$13,359 thousand, respectively. For the six months ended June 30, 2019 and 2018, net exchange loss amounted to \$4,452 thousand and net exchange gain amounted to \$12,663 thousand, respectively. Due to the variety of functional currencies, the Group could not disclose the foreign exchange gains (losses) for each foreign currency with significant influence.

Sensitivity analysis

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts denominated in monetary items of foreign currencies. If there had been an unfavorable 5% movement in the levels of foreign exchanges against NTD at the end of the reporting period (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have decreased by \$26,441 thousand and \$28,659 thousand for the six months ended June 30, 2019 and 2018, respectively.

b) Interest rate risk

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

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

	June 30, 2019	December 31, 2018	June 30, 2018
Fair value interest rate risk			
Financial assets	\$ 4,741,522	\$ 4,290,492	\$ 4,223,186
Financial liabilities	35,005,977	33,285,029	28,984,404
Cash flow interest rate risk			
Financial assets	2,630,572	3,750,159	4,732,372
Financial liabilities	7,091,011	9,162,674	9,357,375

Sensitivity analysis

The following sensitivity analysis is based on the exposure to interest rate risk of derivative and non-derivative instruments at the end of the reporting period. For floating-rate assets and liabilities, the analysis assumes that the balances of outstanding assets and liabilities at the end of the reporting period have been outstanding for the whole period and that the changes in interest rates are reasonable. If the interest rate had increased by 50 basis points (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have decreased by \$11,122 thousand and \$11,563 thousand for the six months ended June 30, 2019 and 2018, respectively.

c) Other market price risk

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

Sensitivity analysis

If the prices of equity instruments had decreased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), profit would have decreased by \$4,272 thousand and \$6,576 thousand since the fair value of financial assets at FVTPL decreased for the six months ended June 30, 2019 and 2018, respectively, and other comprehensive income would have decreased by \$309,076 thousand and \$234,014 thousand since the fair value of financial assets at FVTOCI decreased for the six months ended June 30, 2019 and 2018, 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	Associates
TPE	Associates
kbro Media	Associates
TVD Shopping	Associates
ADT	Associates
M.E.	Associates
Beijing Global JiuSha Media Technology Co., Ltd.	Associates (subsidiary of GHS)
Beijing YueShih JiuSha Media Technology Co., Ltd.	Associates (subsidiary of GHS)
GHS Trading Ltd.	Associates (subsidiary of GHS)
Good Image Co., Ltd.	Associates (subsidiary of kbro Media)
Fubon Life Insurance Co., Ltd. (Fubon Life)	Other related parties
Fubon Insurance Co., Ltd.	Other related parties
Fubon Securities Investment Trust Co., Ltd. (FSIT)	Other related parties
Fubon Sports & Entertainment Co., Ltd.	Other related parties
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Other related parties
Fubon Financial Holding Co., Ltd.	Other related parties
Fubon Life Insurance (HK) Ltd.	Other related parties
Fubon Securities Co., Ltd.	Other related parties
Fubon Futures Co., Ltd.	Other related parties
Fubon Investment Services Co., Ltd.	Other related parties
Fubon Marketing Co., Ltd.	Other related parties
Fu-Sheng Life Insurance Agency Co., Ltd.	Other related parties
Fu-Sheng General Insurance Agency Co., Ltd.	Other related parties
Fubon Financial Venture Capital Co., Ltd.	Other related parties
Fubon Gymnasium Co., Ltd.	Other related parties
Fubon Asset Management Co., Ltd.	Other related parties
One Production Film Co., Ltd.	Other related parties
Fubon Bank (China) Co., Ltd.	Other related parties
Fubon Land Development Co., Ltd.	Other related parties
Fubon Property Management Co., Ltd.	Other related parties
Fubon Real Estate Management Co., Ltd.	Other related parties
Fubon Hospitality Management Co., Ltd.	Other related parties
Chung Hsing Constructions Co., Ltd.	Other related parties
Ming Dong Co., Ltd.	Other related parties
Fu Yi Health Management Co. Ltd.	Other related parties
Dao Ying Co., Ltd.	Other related parties
Fubon Xinji Investment Co., Ltd.	Other related parties
Mitchiller Media Co., Ltd.	Other related parties
AppWorks Ventures Co., Ltd	Other related parties
Far Eastern Memorial Hospital	Other related parties
Dai-Ka Ltd.	Other related parties
Taiwan Mobile Foundation (TMF)	Other related parties
Taipei New Horizon Foundation (TNHF)	Other related parties

(Continued)

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

(Concluded)

c. Significant transactions with related parties

1) Operating revenue

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Associates	\$ 22,094	\$ 21,219	\$ 45,049	\$ 38,352
Other related parties	<u>226,693</u>	<u>191,819</u>	<u>416,994</u>	<u>370,052</u>
	<u>\$ 248,787</u>	<u>\$ 213,038</u>	<u>\$ 462,043</u>	<u>\$ 408,404</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 June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Associates	\$ 98,163	\$ 96,918	\$ 190,502	\$ 209,294
Other related parties	<u>80,777</u>	<u>245,080</u>	<u>209,487</u>	<u>477,725</u>
	<u>\$ 178,940</u>	<u>\$ 341,998</u>	<u>\$ 399,989</u>	<u>\$ 687,019</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	June 30, 2019	December 31, 2018	June 30, 2018
Accounts receivable	Associates	\$ 5,561	\$ 11,249	\$ 10,137
Accounts receivable	Other related parties	<u>145,307</u>	<u>126,709</u>	<u>120,910</u>
		<u>\$ 150,868</u>	<u>\$ 137,958</u>	<u>\$ 131,047</u>
Other receivables	Associates	\$ 113,862	\$ 113,187	\$ 102,503
Other receivables	Other related parties	<u>134,108</u>	<u>59,108</u>	<u>46,410</u>
		<u>\$ 247,970</u>	<u>\$ 172,295</u>	<u>\$ 148,913</u>

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

4) Payables due to related parties

Account	Related Party Categories	June 30, 2019	December 31, 2018	June 30, 2018
Accounts payable	Associates	\$ 103,113	\$ 91,266	\$ 86,820
Accounts payable	Other related parties	<u>88,337</u>	<u>88,322</u>	<u>81,779</u>
		<u>\$ 191,450</u>	<u>\$ 179,588</u>	<u>\$ 168,599</u>
Other payables	Other related parties	<u>\$ 21,617</u>	<u>\$ 60,216</u>	<u>\$ 83,680</u>

5) Prepayments

	June 30, 2019	December 31, 2018	June 30, 2018
Other related parties	<u>\$ 60,873</u>	<u>\$ 15,467</u>	<u>\$ 77,007</u>

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

	June 30, 2019	December 31, 2018	June 30, 2018
Other related parties			
TFCB	\$ 1,538,883	\$ 1,284,174	\$ 1,274,928
Others	<u>24,000</u>	<u>23,001</u>	<u>2,305</u>
	<u>\$ 1,562,883</u>	<u>\$ 1,307,175</u>	<u>\$ 1,277,233</u>

7) Cash equivalents

The Group sold the government bonds with repurchase rights, with the purchased amount of \$146,013 thousand, to TFCB for \$146,034 thousand, and recognized \$21 thousand as interest income for the six months ended June 30, 2019.

8) Financial assets at FVTPL - current

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

9) Others

	June 30, 2019	December 31, 2018	June 30, 2018
Guarantee deposits			
Other related parties	<u>\$ 53,976</u>	<u>\$ 51,548</u>	<u>\$ 48,489</u>
Other current liabilities - receipts under custody			
Other related parties	<u>\$ 92,583</u>	<u>\$ 69,057</u>	<u>\$ 35,702</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Operating expenses				
Other related parties				
TMF	\$ 4,475	\$ 8,420	\$ 8,300	\$ 8,420
TNHF	2,000	5,000	5,000	5,000
Fubon Life	-	35,082	74	70,163
TFCB	73,867	69,705	128,215	136,841
Others	<u>63,765</u>	<u>66,806</u>	<u>87,552</u>	<u>96,059</u>
	<u>\$ 144,107</u>	<u>\$ 185,013</u>	<u>\$ 229,141</u>	<u>\$ 316,483</u>

10) Lease arrangements

Acquisition of right-of-use assets

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Other related parties	<u>\$ 79,736</u>	<u>\$ 88,264</u>

Lease liabilities (including current and non-current portions)

	June 30, 2019
Associates	\$ 4,735
Other related parties	<u>745,712</u>
	<u>\$ 750,447</u>

Sublease arrangements under finance leases

For the six months ended June 30, 2019, the Group subleased right-of-use assets to other related parties under finance leases. As of June 30, 2019, the balance of finance lease receivables was \$118 thousand, and the Group recognized \$18 thousand as income from the subleasing of right-of-use assets.

Interest expenses

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Associates	\$ 20	\$ 56
Other related parties	<u>1,642</u>	<u>3,235</u>
	<u>\$ 1,662</u>	<u>\$ 3,291</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 June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Short-term employee benefits	\$ 64,058	\$ 78,448	\$ 142,610	\$ 157,571
Termination and post-employment benefits	<u>4,254</u>	<u>2,329</u>	<u>16,702</u>	<u>4,639</u>
	<u>\$ 68,312</u>	<u>\$ 80,777</u>	<u>\$ 159,312</u>	<u>\$ 162,210</u>

30. ASSETS PLEDGED

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

	June 30, 2019	December 31, 2018	June 30, 2018
Other current financial assets	\$ 156,132	\$ 160,033	\$ 138,921
Services concessions	7,059,413	7,148,773	7,238,132
Other non-current financial assets	<u>168,054</u>	<u>131,110</u>	<u>129,845</u>
	<u>\$ 7,383,599</u>	<u>\$ 7,439,916</u>	<u>\$ 7,506,898</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	June 30, 2019	December 31, 2018	June 30, 2018
Purchases of property, plant and equipment	<u>\$ 3,803,534</u>	<u>\$ 806,935</u>	<u>\$ 2,188,107</u>
Purchases of cellular phones	<u>\$ 2,376,495</u>	<u>\$ 1,872,470</u>	<u>\$ 2,621,614</u>

As of June 30, 2019, the amount of lease commitments commencing after the balance sheet date was \$683,701 thousand.

b. As of June 30, 2019, December 31, 2018 and June 30, 2018, the amounts of endorsements and guarantees (provided to group entities) were \$21,550,000 thousand, \$21,550,000 thousand and \$21,619,210 thousand, respectively.

c. In accordance with the NCC's policy and regulations, TWM entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid cards and electronic gift certificates, totaling \$555,345 thousand and \$19,354 thousand, respectively, as of June 30, 2019.

In accordance with the NCC's policy and regulations, cable television companies should provide performance bonds based on a certain proportion of the advance receipts from their subscribers. As of June 30, 2019, the cable television companies had provided \$74,565 thousand as performance bonds, classified as other non-current financial assets.

In accordance with the Ministry of Economic Affairs' policy and regulations, momo entered into a contract with First Commercial Bank Co., Ltd., which provides a performance guarantee for advance receipts from prepaid bonuses and electronic tickets totaling \$88,289 thousand and \$35,531 thousand, respectively, as of June 30, 2019.

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

1) Construction and operating period:

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

2) Development concession:

The total initial amount of concession was \$1,238,095 thousand (tax excluded). According to the supplemental agreement signed in November 2014, the concession will be paid with additional business tax from the signing date of the supplemental agreement; thus, the concession will be increased by \$48,750 thousand. The rest of the concession will be paid over 14 years from fiscal year 2015. As of June 30, 2019, \$660,156 thousand (tax included) of the concession had been paid.

3) Performance guarantee:

As of June 30, 2019, TNH had provided a \$32,500 thousand performance guarantee regarding the BOT contract.

4) Rental of land:

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

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

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

Besides, in August 2015, FET filed a civil statement of complaint with the Court, in which FET claims that (i) TWM shall apply for the return the C4 spectrum block (1748.7-1754.9/1843.7-1849.9 MHz) back to the NCC; (ii) TWM shall not use the C4 spectrum block; (iii) TWM shall not use the C1 spectrum block until TWM's application for the return of the C4 spectrum block is approved by the NCC; and (iv) TWM shall provide \$1,005,800 thousand to FET as compensation. In May 2016, the Court decided against TWM regarding claims (i), (ii), and (iii) of the lawsuit; and the Court decided against FET regarding claim (iv) of the lawsuit. FET offered a security deposit of \$320,630 thousand for the provisional execution of claims (i) to (iv). TWM offered a counter-security deposit of \$961,913 thousand in order to be exempted from the provisional execution of claims (i) to (iv). In addition, TWM offered a counter-security deposit for the exemption from provisional execution of the sentence, and the counter-security deposit was reclaimed in March 2018. TWM and FET appealed the aforementioned

sentences respectively. The judgment dismissed by the High Court were as follows: (1) TWM “shall apply for the return of the C4 spectrum block to the NCC immediately”, “shall not use the C4 spectrum block in any way”, and “TWM shall not use the C1 spectrum block before the C4 spectrum block has been returned to and approved by the NCC”, and (2) the claim stated in section 2(2) below, in which the corresponding portion of FET’s claimed provisional execution and litigation expenses were rejected. 2. (1) For the dismissed portion stated in the above section (1), FET's claim and motion of provisional execution in the first instance were rejected; and (2) for the dismissed portion stated in the above section 1(2), TWM shall pay FET \$765,779 thousand, as well as a 5% annual interest payment, for the period starting from September 5, 2015 to the payment date, on \$152,584 thousand of the above amount. 3. The rest of FET's appeals were rejected. 4. TWM shall bear half of the litigation expenses in the first and second instances, and FET shall bear the rest. 5. Regarding the portion of the judgment regarding TWM's payment, FET may file a provisional execution with a collateral of \$255,260 thousand or a negotiable certificate deposit (NCD) issued by Far Eastern International Bank for the equal amount; and TWM may provide a counter-security of \$765,779 thousand to be exempted from the above FET provisional execution. 6. The rest of FET's motions on provisional execution were rejected. TWM and FET appealed the sentence respectively. 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.

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

32. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On July 3, 2019, NCC announced the amendments to “Regulations for Administration of Mobile Broadband Businesses”, which stipulated the plan to release the frequency segments of 3.5GHz, 28GHz, and 1800MHz. In July 2019, the Board of Directors resolved that TWM would participate in the aforementioned frequency segment auction for 5G license.

33. OTHERS

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

	For the Three Months Ended June 30					
	2019			2018		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 548,856	\$ 1,142,146	\$ 1,691,002	\$ 531,109	\$ 1,128,830	\$ 1,659,939
Insurance expenses	47,032	100,314	147,346	43,209	96,560	139,769
Pension	25,103	51,905	77,008	23,806	51,670	75,476
Others	25,768	62,220	87,988	25,455	67,742	93,197
Depreciation	2,989,296	249,675	3,238,971	2,403,441	85,460	2,488,901
Amortization	759,342	755,113	1,514,455	799,107	1,029,028	1,828,135

	For the Six Months Ended June 30					
	2019			2018		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 1,108,585	\$ 2,334,846	\$ 3,443,431	\$ 1,092,193	\$ 2,261,810	\$ 3,354,003
Insurance expenses	93,076	205,735	298,811	87,699	195,520	283,219
Pension	50,028	104,494	154,522	48,486	103,275	151,761
Others	51,112	127,392	178,504	51,671	133,847	185,518
Depreciation	6,053,579	503,237	6,556,816	4,850,337	169,461	5,019,798
Amortization	1,516,991	1,565,398	3,082,389	1,599,325	2,037,225	3,636,550

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 \$101,441 thousand, \$121,497 thousand, \$197,504 thousand, and \$232,160 thousand, and remuneration to directors were \$10,144 thousand, \$12,150 thousand, \$19,750 thousand, and \$23,216 thousand, which were made by applying the rates to the aforementioned profit before income tax, for the three months and six months ended June 30, 2019 and 2018, respectively.

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

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

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

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

34. ADDITIONAL DISCLOSURES

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

- 1) Financing extended to other parties: Table 1 (attached)
- 2) Endorsements/guarantees provided to other parties: Table 2 (attached)
- 3) Marketable securities held: Table 3 (attached) (excluding investments in subsidiaries and associates)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Table 4 (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 5 (attached)
- 8) Receivables from related parties of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- 9) Names, locations and related information of investees on which TWM exercised significant influence: Table 7 (attached) (excluding information on investment in Mainland China)
- 10) Trading in derivative instruments: None
- 11) Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 8 (attached)

c. Information on investment in Mainland China:

- 1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 9 (attached)
- 2) Significant direct or indirect transactions with the investee companies, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Table 8 (attached)

35. SEGMENT INFORMATION

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

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

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

Cable Television: Providing pay TV and cable broadband services.

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

For the Three Months Ended June 30, 2019	Telecommuni- cation	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$16,375,698	\$11,815,431	\$ 1,535,854	\$ 147,703	\$ (260,135)	\$29,614,551
Operating costs	10,131,831	10,668,992	817,728	85,966	(213,920)	21,490,597
Operating expenses	2,990,717	805,995	186,997	15,088	(53,478)	3,945,319
Net other income and expenses	149,458	10,824	(2,112)	-	(10,835)	147,335
Profit	3,402,608	351,268	529,017	46,649	(3,572)	4,325,970
EBITDA (Note)	7,038,481	507,102	792,898	99,657	(12,500)	8,425,638

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

For the Six Months Ended June 30, 2019	Telecommuni- cation	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$32,944,260	\$23,551,058	\$ 3,088,352	\$ 295,121	\$ (391,567)	\$59,487,224
Operating costs	20,451,555	21,182,787	1,672,035	172,837	(307,405)	43,171,809
Operating expenses	6,134,972	1,575,595	382,982	30,147	(102,538)	8,021,158
Net other income and expenses	265,066	12,338	1,836	2,710	(22,143)	259,807
Profit	6,622,799	805,014	1,035,171	94,847	(3,767)	8,554,064
EBITDA (Note)	13,952,917	1,110,326	1,593,771	200,862	(21,807)	16,836,069

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

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 Six Months Ended	
	June 30	
	2019	2018
Taiwan, ROC	\$ 58,016,774	\$ 57,281,587
Overseas	<u>1,470,450</u>	<u>1,564,840</u>
	<u>\$ 59,487,224</u>	<u>\$ 58,846,427</u>

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING EXTENDED TO OTHER PARTIES
FOR THE SIX MONTHS ENDED JUNE 30, 2019

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits	Note
													Item	Value			
1	TCC	TWM TFC	Other receivables	Yes	\$ 400,000	\$ 400,000	\$ 203,000	1.09511%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 38,861,880	\$ 38,861,880	Note 2
			Other receivables	Yes	700,000	700,000	-	-	Short-term financing	-	Operation requirements	-	-	-	38,861,880	38,861,880	Note 2
2	WMT	TWM TKT TFNM WTVB	Other receivables	Yes	3,500,000	3,500,000	2,186,000	1.09367%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	7,895,293	7,895,293	Note 2
			Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	7,895,293	7,895,293	Note 2
			Other receivables	Yes	3,000,000	3,000,000	1,870,000	1.09378%-1.09489%	Short-term financing	-	Operation requirements	-	-	-	7,895,293	7,895,293	Note 2
			Other receivables	Yes	600,000	600,000	205,000	1.09378%-1.09552%	Short-term financing	-	Operation requirements	-	-	-	7,895,293	7,895,293	Note 2
3	TFN	TWM TCC	Other receivables	Yes	9,000,000	9,000,000	7,600,000	1.09378%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	25,024,217	25,024,217	Note 2
			Other receivables	Yes	700,000	700,000	-	-	Short-term financing	-	Operation requirements	-	-	-	25,024,217	25,024,217	Note 2
4	YJCTV	TFNM	Other receivables	Yes	140,000	140,000	140,000	1.09456%	Transactions	462,483	-	-	-	-	462,483	462,483	Notes 3 and 4
5	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	1.09456%	Transactions	537,811	-	-	-	-	537,811	537,811	Notes 3 and 4
6	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	1.09456%	Short-term financing	-	Repayment of financing	-	-	-	273,870	273,870	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 SIX MONTHS ENDED JUNE 30, 2019

(In Thousands of New Taiwan Dollars)

No.	Company Providing Endorsements/ Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts (Note 1)	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor (Note 1)	Maximum Endorsements/ Guarantees Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	TWM	TFN TKT	Note 2 Note 2	\$ 42,000,000 313,800	\$ 21,500,000 50,000	\$ 21,500,000 50,000	\$ 8,520,200 50,000	\$ - -	36.71 0.09	\$ 58,561,679 58,561,679	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)
JUNE 30, 2019

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	June 30, 2019				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership %	Fair Value	
TWM	<u>Stock</u>							
	Chunghwa Telecom Co., Ltd.	-	Current financial assets at FVTOCI	2,174	\$ 245,607	0.028	\$ 245,607	
	Asia Pacific Telecom Co., Ltd.	-	Non-current financial assets at FVTOCI	148,255	1,082,262	3.45	1,082,262	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at FVTOCI	800	29,606	10	29,606	
	<u>Limited Partnerships</u>							
	Grand Academy Investment, L.P.	-	Non-current financial assets at FVTOCI	-	409,355	21.67	409,355	Note 1
	Starview Heights Investment, L.P.	-	Non-current financial assets at FVTOCI	-	103,683	21.67	103,683	Note 1
TCC	<u>Stock</u>							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at FVTOCI	6,998	92,795	5.21	92,795	
TFN	<u>Stock</u>							
	Taiwan High Speed Rail Corporation	-	Non-current financial assets at FVTOCI	90,212	4,122,707	1.6	4,122,707	
TCCI	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	200,497	24,560,853	5.78	24,560,853	
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at FVTOCI	10,000	37,478	6.67	37,478	
TUI	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	410,665	50,306,497	11.84	50,306,497	
TID	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	87,590	10,729,721	2.53	10,729,721	
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	June 30, 2019				Note
				Units/Shares (Thousands)	Carrying Value	Percentage of Ownership %	Fair Value	
momo	<u>Beneficiary Certificates</u> Fubon Strategic High Income Fund B	Other related party	Current financial assets at FVTPL	9,151	\$ 85,444	-	\$ 85,444	
	<u>Stock</u> Media Asia Group Holdings Limited	-	Current financial assets at FVTOCI	43,668	11,636	2.04	11,636	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at FVTOCI	2,400	46,392	7.73	46,392	

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

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

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2019

(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
momo	Warehousing logistics construction (Right-of-use asset)	May 23, 2019	\$ 390,073	Pay \$6,600 thousand monthly (tax excluded) with lease terms of 5 years.	Infomedia Inc.	-	-	-	\$ -	Determined by the professional appraisal report and market condition	Set up logistics center for operational needs	None	

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2019

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
TWM	TFN	Subsidiary	Sale	\$ 176,410	1	Based on contract terms	-	-	\$ 21,342	-	Note 1
			Purchase	2,350,272	(Note 2)	Based on contract terms	-	-	(395,863)	(Note 3)	
		Subsidiary	Purchase	518,132	(Note 2)	Based on contract terms	-	-	(83,937)	(Note 3)	
			Purchase	148,868	(Note 2)	Based on contract terms	-	-	(72,522)	(Note 3)	
TFN	TWM	Ultimate parent	Sale	2,368,386	50	Based on contract terms	-	-	395,863	39	Note 1
			Purchase	168,313	(Note 2)	Based on contract terms	-	-	(21,342)	(Note 3)	
TT&T	TWM	Ultimate parent	Sale	518,132	90	Based on contract terms	-	-	83,937	90	
TKT	TWM	Ultimate parent	Sale	148,868	92	Based on contract terms	-	-	72,522	99	
TFNM	YJCTV	Subsidiary	Channel leasing fee	212,223	13	Based on contract terms	Note 4	Note 4	-	-	
			Channel leasing fee	248,380	15	Based on contract terms	Note 4	Note 4	-	-	
			Channel leasing fee	110,400	7	Based on contract terms	Note 4	Note 4	-	-	
YJCTV	TFNM	Parent	Royalty for copyright	212,223	51	Based on contract terms	Note 4	Note 4	-	-	
PCTV	TFNM	Parent	Royalty for copyright	248,380	53	Based on contract terms	Note 4	Note 4	-	-	
UCTV	TFNM	Parent	Royalty for copyright	110,400	38	Based on contract terms	Note 4	Note 4	-	-	
momo	TWM	Ultimate parent	Purchase	271,156	1	Based on contract terms	-	-	(55,902)	1	
			Purchase	200,967	1	Based on contract terms	-	-	(103,113)	2	

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

Note 2: Including operating costs and operating expenses.

Note 3: Including accounts payable and other payables.

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2019

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Action Taken		
TCC	TWM	Parent	Other receivables	\$ 203,944		\$ -	-	\$ 944	\$ -
WMT	TWM	Parent	Other receivables	2,189,769		-	-	-	-
	TFNM	Subsidiary	Other receivables	1,871,646		-	-	-	-
	WTVB	Subsidiary	Other receivables	205,254		-	-	-	-
TFN	TWM	Ultimate parent	Accounts receivable	395,863	10.97	-	-	327,985	-
			Other receivables	7,699,284		-	-	57,901	-
YJCTV	TFNM	Parent	Accounts receivable	3,836	7.68	-	-	-	-
			Other receivables	140,092		-	-	-	-
PCTV	TFNM	Parent	Accounts receivable	4,233	7.53	-	-	-	-
			Other receivables	520,036		-	-	-	-
GCTV	TFNM	Parent	Accounts receivable	1,904	7.48	-	-	-	-
			Other receivables	250,012		-	-	-	-
momo	TPE	Associate	Accounts receivable	104	3.88	-	-	-	-
			Other receivables	113,716		-	-	113,716	-
	TFCB	Other related party	Other receivables	101,296		-	-	101,296	-

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 SIX MONTHS ENDED JUNE 30, 2019

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				June 30, 2019	December 31, 2018	Shares (Thousands)	Percentage of Ownership %	Carrying Value			
TWM	TCC	Taiwan	Investment	\$ 40,397,288	\$ 40,397,288	502,970	100	\$ 19,739,388	\$ 1,828,176	\$ 1,828,566	Note 1
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	19,738,163	1,099,758	1,099,998	Note 1
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,795,239	41,051	22,784	Note 1
	ADT	Taiwan	Technology development of mobile payment and information processing services	60,000	60,000	6,000	14.4	5,562	-	(3,073)	
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	62,561,505	1,762,835	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	85,336	25,865	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	261,302	4,272	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	33,512,216	(84)	-	Note 2
	TDC	Taiwan	Mobile phone wholesaling and TV program production	112,000	112,000	11,200	100	115,215	(600)	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	25,000	2,500	100	99,578	5,045	-	Note 2
	TPIA	Taiwan	Property insurance agent	5,000	5,000	500	100	32,753	25,461	-	Note 2
TFC	Taiwan	Type II telecommunications business	200,000	5,000	20,000	100	197,444	(1,964)	-	Note 2	
WMT	TFNM	Taiwan	Type II telecommunications business	5,210,443	5,210,443	230,921	100	5,949,216	783,369	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	16,759	(120)	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	96,296	1,984	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	304,291	46,603	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,094,946	707,539	-	Notes 2 and 4
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	44,474,939	(114)	-	Note 2
	TFN HK Ltd.	Hong Kong	Telecommunications service provider	2,960	2,960	1,300	100	8,307	(20)	-	Note 2
TCCI	TID	Taiwan	Investment	3,602,782	3,602,782	104,712	100	9,491,309	(93)	-	Note 2
TFNM	TKT	Taiwan	Digital music service	156,900	129,900	14,700	100	257,054	4,203	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	1,831,923	(83,640)	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	620,551	34,842	-	Notes 2 and 5
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,335,881	44,989	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	1,970,574	(595)	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,255,029	30,900	-	Note 2
	kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	146,424	(31,970)	-	Note 2
TKT	M.E.	Taiwan	Livestreaming artists management service, digital media production, and media planning	27,000	-	460	15	26,378	(13,627)	-	Note 2
GFMT	UCTV	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	15,149	(595)	-	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	94,778	30,900	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				June 30, 2019	December 31, 2018	Shares (Thousands)	Percentage of Ownership %	Carrying Value			
momo	Asian Crown (BVI)	British Virgin Islands	Investment	\$ 885,285	\$ 885,285	9,735	81.99	\$ 43,573	\$ 1,717	\$ -	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	814,248	11,337	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	9,104	8	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	9,841	713	-	Note 2
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	42,229	2,912	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	390,869	73,013	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	122,742	122,742	24,150	35	124,946	16,201	-	Note 2
	Bebe Poshe	Taiwan	Wholesale of cosmetics	85,000	85,000	8,500	85	80,131	(3,053)	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,132,789	11,594	100	48,619	1,696	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,132,789	11,594	100	48,619	1,696	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	814,248	11,337	-	Note 2

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

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

Note 3: Held 1 share on June 30, 2019.

Note 4: Non-controlling interests.

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

Note 6: For information on investment in Mainland China, see Table 9 for details.

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2019

(In Thousands of New Taiwan Dollars)

Number	Company Name	Counter-party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	TWM	TFN	1	Notes and accounts receivable, net	\$ 21,869	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIA	1	Notes and accounts receivable, net	42,813	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Notes and accounts receivable, net	65,580	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other receivables	30,743	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Other receivables	49,689	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Other non-current assets	17,963	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Short-term borrowings	7,600,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	5%
		WMT	1	Short-term borrowings	2,186,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TCC	1	Short-term borrowings	203,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Notes and accounts payable	68,696	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TKT	1	Notes and accounts payable	72,299	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Notes and accounts payable	12,333	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Notes and accounts payable	10,318	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other payables	390,737	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Other payables	83,937	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Other payables	17,893	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Lease liabilities - current	28,856	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Lease liabilities - current	109,865	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other current liabilities	35,579	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	momo	1	Other current liabilities	\$ 14,448	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Lease liabilities - non-current	21,078	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Lease liabilities - non-current	425,069	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Lease liabilities - non-current	37,652	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Lease liabilities - non-current	18,816	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating revenues	176,410	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIA	1	Operating revenues	52,722	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Operating revenues	286,915	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating costs	2,347,921	The terms of transaction are determined in accordance with mutual agreements or general business practices	4%
		TKT	1	Operating costs	148,507	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Operating costs	35,797	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Operating costs	16,057	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Operating costs	24,669	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Operating expenses	518,132	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TNH	1	Operating expenses	46,453	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating expenses	20,685	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other revenues and expenses, net	19,199	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Finance costs	39,317	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WMT	1	Finance costs	15,294	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
1	WMT	TFNM	1	Other receivables	1,871,646	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		WTVB	1	Other receivables	205,254	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	
2	momo	FGE	1	Notes and accounts receivable, net	\$ 13,344	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		FST	1	Other receivables	12,174	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating costs	31,795	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
3	TFN	TFC	3	Notes and accounts receivable, net	28,084	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Notes and accounts receivable, net	23,213	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFC	3	Operating revenues	26,578	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating revenues	73,514	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	3	Operating expenses	54,733	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
4	TFNM	PCTV	1	Other receivables	37,431	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Other receivables	35,730	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Other receivables	24,612	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Other receivables	24,440	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		MCTV	1	Other receivables	15,120	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Short-term borrowings	520,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Short-term borrowings	140,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Short-term borrowings	250,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Notes and accounts payable	33,316	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating revenues	269,300	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating revenues	231,011	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating revenues	110,400	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Operating revenues	103,020	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating costs	17,402	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating costs	15,645	The terms of transaction are determined in accordance with mutual agreements or general business practices	-

(Continued)

Number	Company Name	Counter-party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
4	TFNM	UCTV	1	Operating costs	\$ 11,308	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Operating costs	33,316	The terms of transaction are determined in accordance with mutual agreements or general business practices	-

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

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

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2019

(In Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2019	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of June 30, 2019	Accumulated Inward Remittance of Earnings as of June 30, 2019	Note
					Outflow	Inflow							
TWMC	Mobile application development and design	\$ 93,240 (USD 3,000)	b	\$ 151,419 (USD 4,872)	\$ -	\$ -	\$ 151,419 (USD 4,872)	\$ 738	100	\$ 738	\$ 107,388	\$ -	
FGE	Wholesaling	350,300 (RMB 77,500)	b	838,607 (USD 14,000) (RMB 89,267)	-	-	838,607 (USD 14,000) (RMB 89,267)	1,673	76.7	1,283	32,775	-	
Haobo	Investment	49,720 (RMB 11,000)	b	-	-	-	-	11,519	100	11,519	782,606	-	
GHS	Wholesaling	226,000 (RMB 50,000)	b	-	-	-	-	89,612	20	11,044	737,623	-	

Company	Accumulated Investment in Mainland China as of June 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
TWM and subsidiaries	\$1,660,305 (USD18,872, RMB89,267 and HKD168,539)	\$1,660,305 (USD18,872, RMB89,267 and HKD168,539)	\$38,652,557

Note: The investment types are as follows:

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