

Taiwan Mobile Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Taiwan Mobile Co., Ltd. and its subsidiaries (collectively, the "Group") as of June 30, 2020 and 2019, the consolidated statements of comprehensive income for the three months and the six months ended June 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2020 and 2019, and of its consolidated financial performance for the three months ended June 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 4, 2020

Notice to Readers

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2020 (Reviewed)		December 31, 2019 (Audited)		June 30, 2019 (Reviewed)		LIABILITIES AND EQUITY	June 30, 2020 (Reviewed)		December 31, 2019 (Audited)		June 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Notes 6 and 29)	\$ 8,237,272	5	\$ 8,663,370	6	\$ 6,774,567	4	Short-term borrowings (Note 17)	\$ 11,590,000	7	\$ 16,270,000	11	\$ 3,900,000	2
Financial assets at fair value through profit or loss	-	-	149	-	85,444	-	Short-term notes and bills payable (Note 17)	9,795,551	5	1,898,111	1	-	-
Financial assets at fair value through other comprehensive income (Note 7)	2,985,211	2	246,493	-	257,243	-	Contract liabilities (Note 22)	1,685,736	1	1,807,407	1	1,959,865	1
Contract assets (Note 22)	4,677,432	3	4,832,043	3	5,013,363	3	Notes and accounts payable	8,202,132	5	7,660,285	5	6,943,978	5
Notes and accounts receivable, net (Note 8)	7,357,742	4	7,671,838	5	7,359,220	5	Accounts payable due to related parties (Note 29)	150,956	-	135,162	-	191,450	-
Notes and accounts receivable due from related parties (Note 29)	193,179	-	146,186	-	150,868	-	Dividends payable (Note 21)	13,350,468	8	-	-	15,366,223	10
Other receivables (Note 29)	1,546,009	1	1,418,485	1	2,081,099	2	Other payables (Note 29)	7,567,050	4	8,823,705	6	8,790,462	6
Inventories (Note 9)	3,719,234	2	5,670,476	4	4,075,835	3	Current tax liabilities	1,501,928	1	1,539,638	1	1,808,424	1
Prepayments (Note 29)	730,294	-	463,334	-	604,338	1	Provisions (Note 19)	64,469	-	88,961	-	109,315	-
Other financial assets (Notes 29 and 30)	688,913	-	592,868	-	573,742	-	Lease liabilities (Notes 13, 26 and 29)	3,529,437	2	3,532,951	2	3,424,882	2
Other current assets	131,228	-	200,458	-	120,790	-	Advance receipts	152,620	-	87,410	-	105,373	-
Total current assets	30,266,514	17	29,905,700	19	27,096,509	18	Long-term liabilities, current portion (Notes 17 and 18)	303,320	-	303,297	-	4,803,111	3
							Other current liabilities (Note 29)	2,290,047	1	2,376,029	2	2,356,830	2
NON-CURRENT ASSETS							Total current liabilities	60,183,714	34	44,522,956	29	49,759,913	32
Financial assets at fair value through other comprehensive income (Note 7)	1,855,031	1	5,245,888	4	5,924,278	4							
Contract assets (Note 22)	3,033,639	2	3,463,456	2	3,346,768	2	NON-CURRENT LIABILITIES						
Investments accounted for using equity method (Notes 10 and 29)	1,714,204	1	1,478,025	1	1,431,802	1	Contract liabilities (Note 22)	39,290	-	45,293	-	51,023	-
Property, plant and equipment (Note 12)	35,579,874	20	36,182,005	24	37,754,329	24	Bonds payable (Note 18)	35,886,949	20	15,903,436	10	19,944,211	13
Right-of-use assets (Notes 13 and 29)	9,211,915	5	9,657,938	6	9,666,957	6	Long-term borrowings (Note 17)	4,484,367	3	8,586,076	6	8,787,754	6
Investment properties (Note 14)	2,965,503	2	2,984,057	2	2,983,166	2	Provisions (Note 19)	1,503,649	1	1,459,270	1	1,434,203	1
Concessions (Notes 15 and 30)	66,955,815	38	37,709,501	24	39,119,187	25	Deferred tax liabilities	1,020,457	1	977,560	1	949,619	1
Goodwill (Note 15)	15,832,440	9	15,832,440	10	15,872,595	10	Lease liabilities (Notes 13, 26 and 29)	5,676,851	3	6,117,438	4	6,193,616	4
Other intangible assets (Note 15)	5,367,340	3	5,536,534	4	5,641,739	4	Net defined benefit liabilities	504,812	-	517,175	-	477,378	-
Deferred tax assets	796,349	-	839,240	1	818,405	1	Guarantee deposits	1,127,425	1	1,092,364	1	1,063,021	1
Incremental costs of obtaining a contract (Note 22)	1,878,963	1	2,119,052	1	2,428,080	2	Other non-current liabilities	462,566	-	522,116	-	522,108	-
Other financial assets (Notes 29, 30 and 31)	267,507	-	271,653	-	168,054	-	Total non-current liabilities	50,706,366	29	35,220,728	23	39,422,933	26
Other non-current assets (Notes 16 and 29)	1,663,404	1	2,694,470	2	1,351,906	1	Total liabilities	110,890,080	63	79,743,684	52	89,182,846	58
Total non-current assets	147,121,984	83	124,014,259	81	126,507,266	82							
							EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 21)						
TOTAL	\$ 177,388,498	100	\$ 153,919,959	100	\$ 153,603,775	100	Common stock	35,093,765	20	34,959,441	23	34,335,243	22
							Capital collected in advance	-	-	134,104	-	344,288	-
							Capital surplus	18,681,980	10	20,274,694	13	16,652,574	11
							Retained earnings						
							Legal reserve	30,170,398	17	28,922,281	19	28,922,281	19
							Special reserve	-	-	95,381	-	95,381	-
							Unappropriated earnings	6,787,948	4	12,909,829	8	6,800,609	4
							Other equity interests	(542,778)	-	438,905	-	1,128,647	1
							Treasury stock	(29,717,344)	(17)	(29,717,344)	(19)	(29,717,344)	(19)
							Total equity attributable to owners of the parent	60,473,969	34	68,017,291	44	58,561,679	38
							NON-CONTROLLING INTERESTS (Note 21)	6,024,449	3	6,158,984	4	5,859,250	4
							Total equity	66,498,418	37	74,176,275	48	64,420,929	42
							TOTAL	\$ 177,388,498	100	\$ 153,919,959	100	\$ 153,603,775	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			
	2020		2019		2020		2019	
	Amount	%	Reclassified (Note 3) Amount	%	Amount	%	Reclassified (Note 3) Amount	%
OPERATING REVENUES (Notes 22, 29 and 34)	\$ 31,341,639	100	\$ 29,614,551	100	\$ 63,194,318	100	\$ 59,487,224	100
OPERATING COSTS (Notes 9, 29, 32 and 34)	<u>23,408,985</u>	<u>75</u>	<u>21,490,597</u>	<u>73</u>	<u>46,990,438</u>	<u>74</u>	<u>43,171,809</u>	<u>73</u>
GROSS PROFIT FROM OPERATIONS	<u>7,932,654</u>	<u>25</u>	<u>8,123,954</u>	<u>27</u>	<u>16,203,880</u>	<u>26</u>	<u>16,315,415</u>	<u>27</u>
OPERATING EXPENSES (Notes 29, 32 and 34)								
Marketing	2,477,608	8	2,582,082	9	4,911,064	8	5,271,291	9
Administrative	1,300,044	4	1,251,869	4	2,619,016	4	2,549,885	4
Research and development	53,820	-	37,897	-	103,580	-	74,853	-
Expected credit loss	<u>49,319</u>	<u>-</u>	<u>73,471</u>	<u>-</u>	<u>84,214</u>	<u>-</u>	<u>125,129</u>	<u>-</u>
Total operating expenses	<u>3,880,791</u>	<u>12</u>	<u>3,945,319</u>	<u>13</u>	<u>7,717,874</u>	<u>12</u>	<u>8,021,158</u>	<u>13</u>
OTHER INCOME AND EXPENSES, NET (Notes 29 and 34)	<u>80,808</u>	<u>-</u>	<u>147,335</u>	<u>-</u>	<u>128,671</u>	<u>-</u>	<u>259,807</u>	<u>-</u>
OPERATING INCOME (Note 34)	<u>4,132,671</u>	<u>13</u>	<u>4,325,970</u>	<u>14</u>	<u>8,614,677</u>	<u>14</u>	<u>8,554,064</u>	<u>14</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income (Note 29)	17,683	-	18,957	-	35,989	-	34,270	-
Other income (Note 23)	16,468	-	26,049	-	18,303	-	43,072	-
Other gains and losses, net (Note 23)	45,566	-	(28,532)	-	39,338	-	(37,938)	-
Finance costs (Note 23)	(157,692)	-	(138,631)	-	(302,350)	-	(291,718)	-
Share of profit of associates accounted for using equity method	<u>73,154</u>	<u>-</u>	<u>18,667</u>	<u>-</u>	<u>51,826</u>	<u>-</u>	<u>11,681</u>	<u>-</u>
Total non-operating income and expenses	<u>(4,821)</u>	<u>-</u>	<u>(103,490)</u>	<u>-</u>	<u>(156,894)</u>	<u>-</u>	<u>(240,633)</u>	<u>-</u>
PROFIT BEFORE TAX	4,127,850	13	4,222,480	14	8,457,783	14	8,313,431	14
INCOME TAX EXPENSE (Note 24)	<u>812,929</u>	<u>2</u>	<u>834,970</u>	<u>3</u>	<u>1,578,346</u>	<u>3</u>	<u>1,626,947</u>	<u>3</u>
NET PROFIT	<u>3,314,921</u>	<u>11</u>	<u>3,387,510</u>	<u>11</u>	<u>6,879,437</u>	<u>11</u>	<u>6,686,484</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21 and 24)								
Items that will not be reclassified subsequently to profit or loss								
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	998,253	3	890,442	3	(556,121)	(1)	1,214,649	2
Share of other comprehensive income of associates accounted for using equity method	23,792	-	2,880	-	27,368	-	8,374	-
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translation	(9,512)	-	(7,254)	-	(22,476)	-	16,900	-
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>2,424</u>	<u>-</u>	<u>2,423</u>	<u>-</u>	<u>2,288</u>	<u>-</u>	<u>(1,545)</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>1,014,957</u>	<u>3</u>	<u>888,491</u>	<u>3</u>	<u>(548,941)</u>	<u>(1)</u>	<u>1,238,378</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 4,329,878</u>	<u>14</u>	<u>\$ 4,276,001</u>	<u>14</u>	<u>\$ 6,330,496</u>	<u>10</u>	<u>\$ 7,924,862</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the parent	\$ 3,047,593	10	\$ 3,205,701	11	\$ 6,362,233	10	\$ 6,276,674	11
Non-controlling interests	<u>267,328</u>	<u>1</u>	<u>181,809</u>	<u>-</u>	<u>517,204</u>	<u>1</u>	<u>409,810</u>	<u>-</u>
	<u>\$ 3,314,921</u>	<u>11</u>	<u>\$ 3,387,510</u>	<u>11</u>	<u>\$ 6,879,437</u>	<u>11</u>	<u>\$ 6,686,484</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the parent	\$ 4,049,814	13	\$ 4,096,464	14	\$ 5,807,236	9	\$ 7,500,702	13
Non-controlling interests	<u>280,064</u>	<u>1</u>	<u>179,537</u>	<u>-</u>	<u>523,260</u>	<u>1</u>	<u>424,160</u>	<u>-</u>
	<u>\$ 4,329,878</u>	<u>14</u>	<u>\$ 4,276,001</u>	<u>14</u>	<u>\$ 6,330,496</u>	<u>10</u>	<u>\$ 7,924,862</u>	<u>13</u>
EARNINGS PER SHARE (Note 25)								
Basic earnings per share	<u>\$ 1.08</u>		<u>\$ 1.16</u>		<u>\$ 2.26</u>		<u>\$ 2.29</u>	
Diluted earnings per share	<u>\$ 1.08</u>		<u>\$ 1.14</u>		<u>\$ 2.25</u>		<u>\$ 2.24</u>	

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of the Parent						Other Equity Interests		Treasury Stock	Total	Non-controlling Interests	Total Equity
	Common Stock	Capital Collected in Advanced	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
				Legal Reserve	Special Reserve							
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
BALANCE, JANUARY 1, 2020	\$ 34,959,441	\$ 134,104	\$ 20,274,694	\$ 28,922,281	\$ 95,381	\$ 12,909,829	\$ (34,505)	\$ 473,410	\$(29,717,344)	\$ 68,017,291	\$ 6,158,984	\$ 74,176,275
Distribution of 2019 earnings												
Legal reserve	-	-	-	1,248,117	-	(1,248,117)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(95,381)	95,381	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(11,756,844)	-	-	-	(11,756,844)	-	(11,756,844)
Total distribution of earnings	-	-	-	1,248,117	(95,381)	(12,909,580)	-	-	-	(11,756,844)	-	(11,756,844)
Cash dividends from capital surplus	-	-	(1,593,624)	-	-	-	-	-	-	(1,593,624)	-	(1,593,624)
Profit for the six months ended June 30, 2020	-	-	-	-	-	6,362,233	-	-	-	6,362,233	517,204	6,879,437
Other comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	(235)	(10,060)	(544,702)	-	(554,997)	6,056	(548,941)
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	6,361,998	(10,060)	(544,702)	-	5,807,236	523,260	6,330,496
Conversion of convertible bonds to common stock	134,324	(134,104)	1,943	-	-	-	-	-	-	2,163	-	2,163
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	426,241	-	(426,241)	-	-	-	-
Changes in equity of associates accounted for using equity method	-	-	-	-	-	(1,220)	-	-	-	(1,220)	(1,490)	(2,710)
Disposal of investments accounted for using equity method	-	-	(1,033)	-	-	680	-	(680)	-	(1,033)	(1,262)	(2,295)
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(655,043)	(655,043)
BALANCE, JUNE 30, 2020	\$ 35,093,765	\$ -	\$ 18,681,980	\$ 30,170,398	\$ -	\$ 6,787,948	\$ (44,565)	\$ (498,213)	\$(29,717,344)	\$ 60,473,969	\$ 6,024,449	\$ 66,498,418

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	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 8,457,783	\$ 8,313,431
Adjustments for:		
Depreciation expense	5,473,586	6,556,816
Amortization expense	1,724,791	1,725,189
Amortization of incremental costs of obtaining a contract	925,259	1,357,200
Loss on disposal of property, plant and equipment, net	23,798	37,537
Gain on disposal of intangible assets	(8,800)	-
Expected credit loss	84,214	125,129
Finance costs	302,350	291,718
Interest income	(35,989)	(34,270)
Dividend income	(8,398)	(6,438)
Share of profit of associates accounted for using equity method	(51,826)	(11,681)
Gain on disposal of investments accounted for using equity method	(58,494)	-
Valuation (gain) loss on financial assets and liabilities at fair value through profit or loss	149	(5,789)
Others	(7,188)	5,217
Changes in operating assets and liabilities		
Contract assets	589,440	323,453
Notes and accounts receivable	193,346	82,166
Notes and accounts receivable due from related parties	(46,993)	(4,958)
Other receivables	(10,356)	(33,691)
Inventories	1,951,242	(130,172)
Prepayments	(279,170)	(138,434)
Other current assets	69,015	796,237
Other financial assets	(1,671)	(4,028)
Incremental costs of obtaining a contract	(685,170)	(838,998)
Contract liabilities	(127,674)	(76,049)
Notes and accounts payable	541,847	186,998
Accounts payable due to related parties	15,794	11,862
Other payables	(770,840)	(1,033,309)
Provisions	(4,767)	4,149
Advance receipts	64,046	(6,839)
Other current liabilities	(85,982)	202,676
Net defined benefit liabilities	(12,363)	(33,502)
Cash inflows generated from operating activities	18,220,979	17,661,620
Interest received	3,035	67
Interest paid	(626)	(634)
Income taxes paid	(1,516,935)	(2,149,230)
Net cash generated from operating activities	<u>16,706,453</u>	<u>15,511,823</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	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	\$ (3,173,445)	\$ (3,167,261)
Acquisition of right-of-use assets	(20,821)	(14,546)
Acquisition of intangible assets	(29,810,586)	(158,677)
Increase in prepayments for equipment	(219,127)	(73,891)
Proceeds from disposal of property, plant and equipment	12,431	36,126
Proceeds from disposal of intangible assets	6,000	-
Increase in advanced receipts from assets disposals	149	222
Acquisition of financial assets at fair value through other comprehensive income	(407,419)	-
Disposal of financial assets at fair value through other comprehensive income	548,542	-
Acquisition of investments accounted for using equity method	(335,246)	(27,000)
Disposal of investments accounted for using equity method	166,807	-
Increase in prepayments for investment	(30,554)	(100,000)
Proceeds from capital return of investments accounted for using equity method	33,298	-
Increase in refundable deposits	(196,782)	(145,115)
Decrease in refundable deposits	164,391	135,093
Increase in other financial assets	(160,515)	(72,735)
Decrease in other financial assets	68,572	43,227
Interest received	24,888	31,564
Dividend received	-	52,007
	<u>(33,329,417)</u>	<u>(3,460,986)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(4,680,000)	(6,370,000)
Increase (decrease) in short-term notes and bills payable	7,893,678	(1,498,700)
Proceeds from issue of bonds	19,979,415	-
Repayment of long-term borrowings	(4,102,000)	(2,102,000)
Repayment of the principal portion of lease liabilities	(1,938,642)	(1,858,702)
Increase in guarantee deposits received	73,475	119,138
Decrease in guarantee deposits received	(38,401)	(70,647)
Cash dividends paid to non-controlling interests of subsidiaries	(655,043)	(693,361)
Interest paid	(332,790)	(301,990)
	<u>16,199,692</u>	<u>(12,776,262)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS		
	<u>(2,826)</u>	<u>1,282</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	
	2020	2019
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (426,098)	\$ (724,143)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>8,663,370</u>	<u>7,498,710</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 8,237,272</u>	<u>\$ 6,774,567</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, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

TWM received a second-generation (“2G”) mobile telecommunications concession operation license issued by the Directorate General of Telecommunications (“DGT”) of the ROC. The license allows TWM to provide services for 15 years from 1997 onwards. The 2G concession license had been renewed by the National Communications Commission (“NCC”) and terminated on June 30, 2017. TWM received a third-generation (“3G”) concession license issued by the DGT in March 2005, and the 3G concession license terminated on December 31, 2018. TWM participated in the 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 fourth-generation (“4G”) mobile broadband spectrum in the 700MHz, 1800MHz and 2100MHz frequency bands separately, and the aforementioned licenses are valid until December 2030 and December 2033, respectively. In June 2020, TWM acquired the concession licenses for the fifth-generation (“5G”) mobile broadband spectrum in the 3500MHz and 28000MHz frequency bands, and the aforementioned licenses are valid until December 2040.

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

2. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements on August 4, 2020.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts-Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

- c. Reclassification

To enhance the understanding of the Group’s consolidated financial statements for users, the Group’s management decided to present research and development (“R&D”) expenses, which were part of operating expenses, separately in the consolidated statements of comprehensive income starting from January 1, 2020. The comparative information of R&D expenses for the three months and the six months ended June 30, 2019 was made to conform to the current period’s presentation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the following description, the significant accounting policies adopted for the consolidated financial statements are the same as those adopted for the consolidated financial statements for the year ended December 31, 2019.

Statement of Compliance

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

Basis of Consolidation

- a. The basis of preparing the consolidated financial statements is the same as that of the consolidated financial statements for the year ended December 31, 2019.
- b. The subsidiaries included in the consolidated financial statements were as follows:

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			June 30, 2020	December 31, 2019	June 30, 2019	
TWM	Taiwan Cellular Co., Ltd. (TCC)	Investment	100.00%	100.00%	100.00%	-
	Wealth Media Technology Co., Ltd. (WMT)	Investment	100.00%	100.00%	100.00%	-
	TWM Venture Co., Ltd. (TVC)	Investment	100.00%	100.00%	-	Note 1
	Taipei New Horizon Co., Ltd. (TNH)	Building and operating Songshan Cultural and Creative Park BOT project	49.90%	49.90%	49.90%	-
TCC	Taiwan Fixed Network Co., Ltd. (TFN)	Fixed-line service provider	100.00%	100.00%	100.00%	-
	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service and telephone marketing	100.00%	100.00%	100.00%	-
	TWM Holding Co., Ltd. (TWM Holding)	Investment	100.00%	100.00%	100.00%	-
	TCC Investment Co., Ltd. (TCCI)	Investment	100.00%	100.00%	100.00%	Note 2
	Taiwan Digital Communications Co., Ltd. (TDC)	Mobile phone wholesaling and TV program production	-	-	100.00%	Note 3
	Taiwan Digital Service Co., Ltd. (TDS)	Commissioned maintenance service	100.00%	100.00%	100.00%	-
	Taihsin Property Insurance Agent Co., Ltd. (TPIA)	Property insurance agent	100.00%	100.00%	100.00%	-
	Tai-Fu Cloud Technology Co., Ltd. (TFC)	Type II telecommunications business	100.00%	100.00%	100.00%	-
WMT	TFN Media Co., Ltd. (TFNM)	Type II telecommunications business	100.00%	100.00%	100.00%	-
	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00%	100.00%	100.00%	-
	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00%	100.00%	100.00%	-
	Win TV Broadcasting Co., Ltd. (WTVB)	TV program provider	100.00%	100.00%	100.00%	-
	momo.com Inc. (momo)	Wholesale and retail sales	45.01%	45.01%	45.01%	-

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note	
			June 30, 2020	December 31, 2019	June 30, 2019		
TFN	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00%	100.00%	100.00%	Note 2	
	TFN HK Ltd.	Telecommunications service provider	-	-	100.00%	Note 3	
TWM Holding	TWM Communications (Beijing) Co., Ltd. (TWMC)	Mobile application development and design	100.00%	100.00%	100.00%	-	
TCCI	TCCI Investment and Development Co., Ltd. (TID)	Investment	100.00%	100.00%	100.00%	Note 2	
TFNM	Taiwan Kuro Times Co., Ltd. (TKT)	Online music service	100.00%	100.00%	100.00%	-	
	Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Cable TV service provider	100.00%	100.00%	100.00%	-	
	Mangrove Cable TV Co., Ltd. (MCTV)	Cable TV service provider	29.53%	29.53%	29.53%	Note 4	
	Phoenix Cable TV Co., Ltd. (PCTV)	Cable TV service provider	100.00%	100.00%	100.00%	-	
	Union Cable TV Co., Ltd. (UCTV)	Cable TV service provider	99.22%	99.22%	99.22%	-	
	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV service provider	92.38%	92.38%	92.38%	-	
	GFMT	UCTV	Cable TV service provider	0.76%	0.76%	0.76%	-
GWMT momo	GCTV	Cable TV service provider	6.83%	6.83%	6.83%	-	
	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	81.99%	81.99%	81.99%	-	
	Honest Development Co., Ltd. (Honest Development)	Investment	100.00%	100.00%	100.00%	-	
	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.00%	100.00%	100.00%	-	
	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.00%	100.00%	100.00%	-	
	Fu Sheng Travel Service Co., Ltd. (FST)	Travel agent	100.00%	100.00%	100.00%	-	
	Bebe Poshe International Co., Ltd. (Bebe Poshe)	Wholesale of cosmetics	85.00%	85.00%	85.00%	-	
	Fu Sheng Logistics Co., Ltd. (FSL)	Logistics and transport	100.00%	-	-	Note 5	
	Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.00%	100.00%	100.00%	-
	Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	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%	-
	HK Yue Numerous	Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo)	Investment	100.00%	100.00%	100.00%	-
	HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	93.55%	93.55%	93.55%	-

(Concluded)

Note 1: Set up in September 2019.

Note 2: TCCI, TUI and TID collectively owned 698,752 thousand shares of TWM, representing 19.91% of total outstanding shares as of June 30, 2020.

Note 3: Liquidation procedures were completed in August 2019.

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

Note 5: Set up in February 2020.

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

Leases

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. 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. For a lease modification, the Group accounts for the remeasurement of the lease liability by (a) adjusting the carrying amount of the right-of-use asset of lease modifications that adjust the scope and the term of the lease, and recognizes in profit or loss any gain or loss on the partial or full termination of the lease and (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. The Group also accounts for the rent concessions as lease modifications if the rent payments due by June 30, 2021 were adjusted due to the COVID-19 epidemic. 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.

Employee Benefits

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

Income Tax

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty have been followed when preparing these interim consolidated financial statements as those that were applied in the preparation of the consolidated financial statements for the year ended December 31, 2019.

6. CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand and revolving funds	\$ 62,759	\$ 60,483	\$ 135,213
Cash in banks	3,810,709	3,545,544	2,493,915
Time deposits	2,015,838	2,423,103	1,655,350
Government bonds with repurchase rights	<u>2,347,966</u>	<u>2,634,240</u>	<u>2,490,089</u>
	<u>\$ 8,237,272</u>	<u>\$ 8,663,370</u>	<u>\$ 6,774,567</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Investments in equity instruments - current</u>			
Domestic investments			
Listed stocks	\$ 2,982,545	\$ 239,086	\$ 245,607
Foreign investments			
Unlisted stocks	<u>2,666</u>	<u>7,407</u>	<u>11,636</u>
	<u>\$ 2,985,211</u>	<u>\$ 246,493</u>	<u>\$ 257,243</u>
<u>Investments in equity instruments - non-current</u>			
Domestic investments			
Listed stocks	\$ 766,679	\$ 4,580,516	\$ 5,204,969
Unlisted stocks	664,043	173,515	176,665
Foreign investments			
Limited partnerships	394,124	462,068	513,038
Unlisted stocks	<u>30,185</u>	<u>29,789</u>	<u>29,606</u>
	<u>\$ 1,855,031</u>	<u>\$ 5,245,888</u>	<u>\$ 5,924,278</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.

In January 2020, the Directors of TFN resolved that TFN would sell all its equity interest in Taiwan High Speed Rail Corporation ("THSR") to monetize financial assets, and, therefore, the subject equity investment in THSR was subsequently reclassified from non-current to current. In the first half of 2020, TFN sold part of THSR's stock at fair value of \$582,488 thousand. As of June 30, 2020, the amount of outstanding receivables was \$33,946 thousand. The related unrealized gain of \$426,056 thousand was transferred from other equity to retained earnings.

8. NOTES AND ACCOUNTS RECEIVABLE, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Notes receivable	\$ 60,063	\$ 224,042	\$ 114,937
Accounts receivable	7,599,042	7,793,254	7,645,690
Less: Allowance for impairment loss	<u>(301,363)</u>	<u>(345,458)</u>	<u>(401,407)</u>
	<u>\$ 7,357,742</u>	<u>\$ 7,671,838</u>	<u>\$ 7,359,220</u>

The main credit terms range from 30 to 90 days.

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

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

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

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

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

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

June 30, 2020

	Not Past Due	Overdue			Total
		1 to 120 Days	121 to 365 Days	Over 365 Days	
Gross carrying amount	\$ 7,064,255	\$ 445,695	\$ 147,139	\$ 2,016	\$ 7,659,105
Loss allowance (Lifetime ECLs)	<u>(50,902)</u>	<u>(114,633)</u>	<u>(133,812)</u>	<u>(2,016)</u>	<u>(301,363)</u>
Amortized cost	<u>\$ 7,013,353</u>	<u>\$ 331,062</u>	<u>\$ 13,327</u>	<u>\$ -</u>	<u>\$ 7,357,742</u>

December 31, 2019

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

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 ECLs)	<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>

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	
	2020	2019
Beginning balance	\$ 345,458	\$ 464,049
Add: Provision	86,569	126,174
Recovery	17,851	22,899
Less: Write-off	<u>(148,515)</u>	<u>(211,715)</u>
Ending balance	<u>\$ 301,363</u>	<u>\$ 401,407</u>

The Group entered into an accounts receivable factoring contract with a private institution and sold those overdue accounts receivable that had been written off. Under the contract, 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
Amount of accounts receivable sold	<u>\$ 583,132</u>
Proceeds of the sale of accounts receivable	<u>\$ 35,389</u>

9. INVENTORIES

	June 30, 2020	December 31, 2019	June 30, 2019
Merchandise	\$ 3,711,405	\$ 5,662,872	\$ 4,068,730
Materials for maintenance	<u>7,829</u>	<u>7,604</u>	<u>7,105</u>
	<u>\$ 3,719,234</u>	<u>\$ 5,670,476</u>	<u>\$ 4,075,835</u>

For the three months and the six months ended June 30, 2020, the cost of goods sold related to the inventories amounted to \$16,497,488 thousand and \$33,139,020 thousand, respectively, which included the inventory write-down, totaling \$38,092 thousand and \$61,608 thousand, respectively.

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.

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, 2020		December 31, 2019		June 30, 2019	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
Global Home Shopping Co., Ltd. (GHS)	\$ 555,409	20.00	\$ 560,029	20.00	\$ 737,623	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	413,571	16.87	404,413	17.70	390,869	17.70
AppWorks Ventures Co., Ltd. (AppWorks)	255,767	51.00	226,123	51.00	-	-
AppWorks Fund III Co., Ltd. (AppWorks Fund III)	204,887	19.46	-	-	-	-
TV Direct Public Company Limited (TV Direct)	128,288	16.20	-	-	-	-
TVD Shopping Co., Ltd. (TVD Shopping)	-	-	119,531	35.00	124,946	35.00
kbro Media Co., Ltd. (kbro Media)	124,936	32.50	136,812	32.50	146,424	32.50
Mistake Entertainment Co., Ltd. (M.E.)	25,274	15.00	25,045	15.00	26,378	15.00
Alliance Digital Tech Co., Ltd. (ADT)	<u>6,072</u>	14.40	<u>6,072</u>	14.40	<u>5,562</u>	14.40
	<u>\$ 1,714,204</u>		<u>\$ 1,478,025</u>		<u>\$ 1,431,802</u>	

a. GHS

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

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

b. TPE

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

As of December 2013, momo held 17.7% equity interest of TPE due to its not subscribing for new stock issued by TPE and selling part of its stock when TPE went public.

In the first half of 2020, momo sold part of TPE's stock for \$27,698 thousand. As of June 30, 2020, the amount of outstanding receivables was \$7,663 thousand. Although momo's percentage of ownership interest in TPE decreased to 16.87%, momo still has significant influence on TPE due to its having two seats on TPE's board of directors.

c. AppWorks

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

d. AppWorks Fund III

In April 2020, TVC acquired 19.46% equity interest of AppWorks Fund III. TVC has significant influence on AppWorks Fund III since the president of TWM serves as the chairman of AppWorks Fund III.

e. TV Direct

In June 2020, momo acquired 16.2% equity interest of TV Direct. momo has significant influence on TV Direct.

f. TVD Shopping

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

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

In June 2020, momo sold all of its equity interest of TVD Shopping to TV Direct for \$146,772 thousand.

g. M.E.

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

h. ADT

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

In 2014, TWM's percentage of ownership interest in ADT decreased to 13.33% as TWM did not subscribe for any newly issued ADT stock. In December 2016, TWM increased its percentage of ownership interest in ADT to 14.4% by subscribing for new stock issued by ADT. TWM still has significant influence on ADT due to having a seat on ADT's board of directors.

ADT had resolved December 31, 2018 as the dissolution date. As of June 30, 2020, ADT was still under liquidation procedures.

11. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Subsidiary	Proportion of Non-controlling Interests' Ownership and Voting Rights		
	June 30, 2020	December 31, 2019	June 30, 2019
momo	54.99%	54.99%	54.99%

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

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

	June 30, 2020	December 31, 2019	June 30, 2019	
Current assets	\$ 7,344,919	\$ 7,547,400	\$ 5,641,988	
Non-current assets	15,000,954	14,525,235	14,176,547	
Current liabilities	(7,985,268)	(7,372,246)	(5,880,175)	
Non-current liabilities	<u>(984,820)</u>	<u>(1,050,690)</u>	<u>(790,289)</u>	
Equity	<u>\$ 13,375,785</u>	<u>\$ 13,649,699</u>	<u>\$ 13,148,071</u>	
Equity attributable to:				
Owners of the parent	\$ 9,198,993	\$ 9,321,432	\$ 9,094,946	
Non-controlling interests of momo	4,158,454	4,308,010	4,031,362	
Non-controlling interests of momo's subsidiaries	<u>18,338</u>	<u>20,257</u>	<u>21,763</u>	
	<u>\$ 13,375,785</u>	<u>\$ 13,649,699</u>	<u>\$ 13,148,071</u>	
	For the Three Months Ended June 30	For the Six Months Ended June 30		
	2020	2019	2020	
	2019	2020	2019	
Operating revenues	<u>\$ 15,834,104</u>	<u>\$ 11,815,431</u>	<u>\$ 30,939,811</u>	<u>\$ 23,551,058</u>
Profit	\$ 469,054	\$ 311,908	\$ 910,385	\$ 707,498
Other comprehensive income (loss)	<u>23,277</u>	<u>(4,029)</u>	<u>11,204</u>	<u>26,004</u>
Comprehensive income	<u>\$ 492,331</u>	<u>\$ 307,879</u>	<u>\$ 921,589</u>	<u>\$ 733,502</u>
Profit (loss) attributable to:				
Owners of the parent	\$ 211,623	\$ 140,266	\$ 410,567	\$ 318,498
Non-controlling interests of momo	258,493	171,334	501,501	389,041
Non-controlling interests of momo's subsidiaries	<u>(1,062)</u>	<u>308</u>	<u>(1,683)</u>	<u>(41)</u>
	<u>\$ 469,054</u>	<u>\$ 311,908</u>	<u>\$ 910,385</u>	<u>\$ 707,498</u>
Comprehensive income (loss) attributable to:				
Owners of the parent	\$ 222,166	\$ 138,509	\$ 415,716	\$ 330,152
Non-controlling interests of momo	271,371	169,188	507,792	403,276
Non-controlling interests of momo's subsidiaries	<u>(1,206)</u>	<u>182</u>	<u>(1,919)</u>	<u>74</u>
	<u>\$ 492,331</u>	<u>\$ 307,879</u>	<u>\$ 921,589</u>	<u>\$ 733,502</u>

	For the Six Months Ended June 30	
	2020	2019
Net cash generated from operating activities	\$ 2,039,040	\$ 777,366
Net cash used in investing activities	(739,488)	(44,740)
Net cash used in financing activities	(1,366,513)	(1,383,962)
Effect of exchange rate changes	<u>(690)</u>	<u>196</u>
Net decrease in cash	<u>\$ (67,651)</u>	<u>\$ (651,140)</u>
Dividends paid to non-controlling interests	<u>\$ 654,596</u>	<u>\$ 693,102</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Telecommuni- cations Equipment and Machinery	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>						
Balance, January 1, 2020	\$ 8,261,041	\$ 5,641,608	\$ 90,366,481	\$ 9,549,160	\$ 1,506,915	\$ 115,325,205
Additions	431,785	-	67,762	115,444	2,107,033	2,722,024
Reclassification	193,748	5,407	1,841,417	128,364	(1,953,477)	215,459
Disposals and retirements	(2,005)	(2,039)	(724,004)	(159,962)	(44)	(888,054)
Effect of exchange rate changes	<u>-</u>	<u>-</u>	<u>(2,111)</u>	<u>(138)</u>	<u>-</u>	<u>(2,249)</u>
Balance, June 30, 2020	<u>\$ 8,884,569</u>	<u>\$ 5,644,976</u>	<u>\$ 91,549,545</u>	<u>\$ 9,632,868</u>	<u>\$ 1,660,427</u>	<u>\$ 117,372,385</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2020	\$ -	\$ 1,649,207	\$ 69,379,600	\$ 8,114,393	\$ -	\$ 79,143,200
Depreciation	-	80,597	3,082,010	338,283	-	3,500,890
Reclassification	-	2,333	-	-	-	2,333
Disposals and retirements	-	(742)	(691,796)	(159,287)	-	(851,825)
Effect of exchange rate changes	<u>-</u>	<u>-</u>	<u>(1,968)</u>	<u>(119)</u>	<u>-</u>	<u>(2,087)</u>
Balance, June 30, 2020	<u>\$ -</u>	<u>\$ 1,731,395</u>	<u>\$ 71,767,846</u>	<u>\$ 8,293,270</u>	<u>\$ -</u>	<u>\$ 81,792,511</u>
Carrying amount, January 1, 2020	<u>\$ 8,261,041</u>	<u>\$ 3,992,401</u>	<u>\$ 20,986,881</u>	<u>\$ 1,434,767</u>	<u>\$ 1,506,915</u>	<u>\$ 36,182,005</u>
Carrying amount, June 30, 2020	<u>\$ 8,884,569</u>	<u>\$ 3,913,581</u>	<u>\$ 19,781,699</u>	<u>\$ 1,339,598</u>	<u>\$ 1,660,427</u>	<u>\$ 35,579,874</u>
<u>Cost</u>						
Balance, January 1, 2019	\$ 8,289,085	\$ 5,672,957	\$ 87,623,044	\$ 9,346,834	\$ 1,349,217	\$ 112,281,137
Additions	-	1,116	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
Accumulated depreciation and impairment						
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, 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>

(Concluded)

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

Buildings

Primary buildings	20-55 years
Mechanical and electrical equipment	5-15 years
Telecommunications equipment and machinery	1-20 years
Others	1-20 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Carrying amounts</u>			
Land	\$ 561,847	\$ 565,364	\$ 577,501
Buildings	7,721,598	8,025,737	7,996,247
Telecommunications equipment and machinery	749,232	874,638	1,016,339
Others	<u>179,238</u>	<u>192,199</u>	<u>76,870</u>
	<u>\$ 9,211,915</u>	<u>\$ 9,657,938</u>	<u>\$ 9,666,957</u>
		For the Six Months Ended June 30	
		2020	2019
Additions to right-of-use assets		<u>\$ 1,701,498</u>	<u>\$ 1,606,997</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Depreciation charge for right-of-use assets				
Land	\$ 60,457	\$ 58,333	\$ 120,147	\$ 116,001
Buildings	858,012	843,588	1,718,786	1,678,980
Telecommunications equipment and machinery	46,137	51,724	93,351	103,081
Others	<u>15,106</u>	<u>16,283</u>	<u>30,237</u>	<u>33,393</u>
	<u>\$ 979,712</u>	<u>\$ 969,928</u>	<u>\$ 1,962,521</u>	<u>\$ 1,931,455</u>

Except for the aforementioned additions and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the six months ended June 30, 2020 and 2019.

b. Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Carrying amounts</u>			
Current	<u>\$ 3,529,437</u>	<u>\$ 3,532,951</u>	<u>\$ 3,424,882</u>
Non-current	<u>\$ 5,676,851</u>	<u>\$ 6,117,438</u>	<u>\$ 6,193,616</u>

Range of discount rate for lease liabilities was as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Land	0.74%-1%	0.78%-1%	0.86%-1%
Buildings	0.74%-1.2%	0.78%-5.44%	0.86%-5.44%
Telecommunications equipment and machinery	0.78%-4.38%	0.86%-4.38%	0.86%-4.38%
Others	0.74%-0.86%	0.78%-5.44%	0.86%-5.44%

c. Material lease-in activities and terms

The Group leases base transceiver stations, machine rooms, stores, offices, warehouses, maintenance centers, equipment, etc., with most of the lease terms ranging from 1 to 6 years. The Group does not have bargain purchase options to acquire the leasehold assets at the end of the lease terms. In addition, the Group is prohibited from subleasing all or any portion of the underlying assets without the lessors' consents. The Group can early terminate the arrangements if there are any controversial or other incidental matters that will cause the leasehold assets not being able to meet the purposes of use.

d. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Expenses related to short-term leases	\$ 10,225	\$ 16,734	\$ 19,269	\$ 35,824
Expenses related to low-value asset leases	\$ 17,873	\$ 17,091	\$ 36,355	\$ 35,013
Expenses related to variable lease payments and not included in the measurement of lease liabilities	\$ 11,490	\$ 10,199	\$ 22,935	\$ 19,864
			For the Six Months Ended June 30	
			2020	2019
Total cash outflow for leases			\$ 2,083,705	\$ 2,018,022

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.

14. INVESTMENT PROPERTIES

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

The fair values of investment properties were measured using Level 3 inputs, arising from income approach, comparative approach, and cost approach adopted by a third party real estate appraiser, HomeBan Appraisers Joint Firm. As of June 30, 2020, December 31, 2019 and June 30, 2019, the fair values of investment properties were \$7,346,416 thousand, \$6,989,343 thousand and \$6,971,613 thousand, respectively, and the capitalization rates for the aforementioned financial reporting periods were ranging from 1.32%-4.95%, 1.32%-4.95% and 1.32%-5.23%, respectively.

The amounts of depreciation recognized for the three months and the six months ended June 30, 2020 and 2019 were \$5,076 thousand, \$5,068 thousand, \$10,175 thousand, and \$10,142 thousand, respectively.

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

	June 30, 2020	December 31, 2019	June 30, 2019
Year 1	\$ 152,313	\$ 153,723	\$ 153,523
Year 2	137,571	143,089	148,737
Year 3	133,113	133,686	134,280
Year 4	30,634	81,103	130,409
Year 5	29,452	29,888	28,048
Year 6 and thereafter	37,316	51,310	65,304
	<u>\$ 520,399</u>	<u>\$ 592,799</u>	<u>\$ 660,301</u>

15. INTANGIBLE ASSETS

	Concessions		Goodwill	Other Intangible Assets					Total
	Concession Licenses	Service Concessions		Computer Software	Customer Relationships	Operating Rights	Trademarks	Copyrights	
Cost									
Balance, January 1, 2020	\$ 41,043,375	\$ 8,180,078	\$ 15,872,595	\$ 4,096,570	\$ 2,654,089	\$ 1,382,000	\$ 2,517,884	\$ 25,197	\$ 75,771,788
Addition	29,656,000	-	-	85,077	-	-	37	17,937	29,759,051
Disposals and retirements	-	-	-	(26,947)	-	-	-	(30,000)	(56,947)
Reclassification	1,000,000	-	-	41,374	-	-	-	31,550	1,072,924
Effect of exchange rate changes	-	-	-	(349)	-	-	-	-	(349)
Balance, June 30, 2020	<u>\$ 71,699,375</u>	<u>\$ 8,180,078</u>	<u>\$ 15,872,595</u>	<u>\$ 4,195,725</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,921</u>	<u>\$ 44,684</u>	<u>\$ 106,546,467</u>
Accumulated amortization and impairment									
Balance, January 1, 2020	\$ 10,303,927	\$ 1,210,025	\$ 40,155	\$ 3,465,304	\$ 1,647,063	\$ -	\$ 1,642	\$ 25,197	\$ 16,693,313
Amortization	1,320,327	89,359	-	228,707	68,200	-	72	18,126	1,724,791
Disposals and retirements	-	-	-	(26,947)	-	-	-	-	(26,947)
Effect of exchange rate changes	-	-	-	(285)	-	-	-	-	(285)
Balance, June 30, 2020	<u>\$ 11,624,254</u>	<u>\$ 1,299,384</u>	<u>\$ 40,155</u>	<u>\$ 3,666,779</u>	<u>\$ 1,715,263</u>	<u>\$ -</u>	<u>\$ 1,714</u>	<u>\$ 43,323</u>	<u>\$ 18,390,872</u>
Carrying amount, January 1, 2020	<u>\$ 30,739,448</u>	<u>\$ 6,970,053</u>	<u>\$ 15,832,440</u>	<u>\$ 631,266</u>	<u>\$ 1,007,026</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,242</u>	<u>\$ -</u>	<u>\$ 59,078,475</u>
Carrying amount, June 30, 2020	<u>\$ 60,075,121</u>	<u>\$ 6,880,694</u>	<u>\$ 15,832,440</u>	<u>\$ 528,946</u>	<u>\$ 938,826</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,207</u>	<u>\$ 1,361</u>	<u>\$ 88,155,595</u>
Cost									
Balance, January 1, 2019	\$ 41,043,375	\$ 8,180,078	\$ 15,872,595	\$ 3,907,630	\$ 2,654,089	\$ 1,382,000	\$ 2,517,866	\$ 15,222	\$ 75,572,855
Addition	-	-	-	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, 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>

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

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

a. Concession licenses

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

b. Service concessions

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

c. Customer relationships, operating rights, and trademarks

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

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

d. Goodwill

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

	June 30, 2020	December 31, 2019	June 30, 2019
Telecommunications service	\$ 7,211,936	\$ 7,211,936	\$ 7,238,758
Fixed network service	357,970	357,970	357,970
Cable television business	3,269,636	3,269,636	3,269,636
Retail business	<u>4,992,898</u>	<u>4,992,898</u>	<u>5,006,231</u>
	<u>\$ 15,832,440</u>	<u>\$ 15,832,440</u>	<u>\$ 15,872,595</u>

e. Impairment of assets

See Note 16(e) to the consolidated financial statements for the year ended December 31, 2019 for the related information on impairment of assets. There was no significant evidence indicating impairment of intangible assets as of June 30, 2020.

16. OTHER NON-CURRENT ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Long-term accounts receivable	\$ 385,157	\$ 325,482	\$ 98,239
Refundable deposits (Note)	666,633	1,633,054	634,680
Prepayments for equipment	65,877	131,228	19,903
Prepayments for investment	30,554	100,000	100,000
Others	<u>515,183</u>	<u>504,706</u>	<u>499,084</u>
	<u>\$ 1,663,404</u>	<u>\$ 2,694,470</u>	<u>\$ 1,351,906</u>

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

17. BORROWINGS

a. Short-term borrowings

	June 30, 2020	December 31, 2019	June 30, 2019
Unsecured loans	<u>\$ 11,590,000</u>	<u>\$ 16,270,000</u>	<u>\$ 3,900,000</u>
Annual interest rates	0.58%-0.895%	0.65%-0.95%	0.7%-0.96%

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

b. Short-term notes and bills payable

	June 30, 2020	December 31, 2019	June 30, 2019
Short-term notes and bills payable	\$ 9,800,000	\$ 1,900,000	\$ -
Less: Discounts on short-term notes and bills payable	<u>(4,449)</u>	<u>(1,889)</u>	<u>-</u>
	<u>\$ 9,795,551</u>	<u>\$ 1,898,111</u>	<u>\$ -</u>
Annual interest rates	0.398%-0.538%	0.688%	-

c. Long-term borrowings

	June 30, 2020	December 31, 2019	June 30, 2019
Unsecured loans	\$ 2,000,000	\$ 6,000,000	\$ 6,000,000
Secured loans	2,787,687	2,889,373	3,091,010
Less: Current portion	<u>(303,320)</u>	<u>(303,297)</u>	<u>(303,256)</u>
	<u>\$ 4,484,367</u>	<u>\$ 8,586,076</u>	<u>\$ 8,787,754</u>
Annual interest rates:			
Unsecured loans	0.79%	0.72%-0.79%	0.72%-0.76%
Secured loans	1.7495%	2.0337%	2.0337%

1) Unsecured loans

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

2) Secured loans

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

18. BONDS PAYABLE

	June 30, 2020	December 31, 2019	June 30, 2019
3rd domestic unsecured straight corporate bonds	\$ -	\$ -	\$ 4,499,855
5th domestic unsecured straight corporate bonds	14,990,186	14,988,914	14,987,625
6th domestic unsecured straight corporate bonds	19,980,232	-	-
3rd domestic unsecured convertible bonds	916,531	914,522	4,956,586
Less: Current portion	<u>-</u>	<u>-</u>	<u>(4,499,855)</u>
	<u>\$ 35,886,949</u>	<u>\$ 15,903,436</u>	<u>\$ 19,944,211</u>

a. 3rd domestic unsecured straight corporate bonds

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

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

b. 5th domestic unsecured straight corporate bonds

On April 20, 2018, TWM issued the 5th domestic unsecured straight corporate bonds. The bonds included five-year and seven-year bonds, with the principal amount of \$6,000,000 thousand and \$9,000,000 thousand, each having a face value of \$10,000 thousand, and coupon rates of 0.848% and 1% per annum, respectively, with simple interest due annually. Repayment will be made in full at maturity. As of June 30, 2020, the amount of unamortized bond issue cost was \$9,814 thousand. The trustee of bond holders is Bank of Taiwan.

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

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

c. 6th domestic unsecured straight corporate bonds

On March 24, 2020, TWM issued the 6th domestic unsecured straight corporate bonds. The bonds included five-year, seven-year, and ten-year bonds, with the principal amount of \$5,000,000 thousand, \$10,000,000 thousand and 5,000,000 thousand, each having a face value of \$10,000 thousand, and coupon rates of 0.64%, 0.66% and 0.72% per annum, respectively, with simple interest due annually. Repayment will be made in full at maturity. As of June 30, 2020, the amount of unamortized bond issue cost was \$19,768 thousand. The trustee of bond holders is Bank of Taiwan.

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

Year	Amount
2025	\$ 5,000,000
2027	10,000,000
2030	<u>5,000,000</u>
	<u>\$ 20,000,000</u>

d. 3rd domestic unsecured convertible bonds

On November 22, 2016, TWM issued its 3rd domestic five-year unsecured zero-coupon convertible bonds with an aggregate principal amount of \$10,000,000 thousand and a par value of \$100 thousand per bond certificate. The conversion price was set initially at \$116.1 per share. The conversion price should be adjusted according to the prescribed formula and has been adjusted to \$99.9 per share since July 15, 2019. Except for the book closure period, bondholders are entitled to convert bonds into TWM's common stock from December 23, 2016 to November 22, 2021. The trustee of bond holders is Bank of Taiwan.

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

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

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 0.9149% per annum on initial recognition. As of June 30, 2020, the amount of unamortized bond discount was \$11,769 thousand.

Proceeds of the issuance (minus transaction costs of \$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	222,598
Convertible bonds converted into common stock	<u>(4,818,617)</u>
 Liability component on June 30, 2019	 <u>\$ 4,956,586</u>
 Liability component on January 1, 2020	 \$ 914,522
Interest charged at an effective interest rate	4,173
Convertible bonds converted into common stock	<u>(2,164)</u>
 Liability component on June 30, 2020	 <u>\$ 916,531</u>

As of June 30, 2020, December 31, 2019 and June 30, 2019, the bondholders had requested to convert the bonds at face values of \$9,071,700 thousand, \$9,069,500 thousand and \$4,933,500 thousand, respectively.

19. PROVISIONS

	June 30, 2020	December 31, 2019	June 30, 2019
Restoration	\$ 1,186,307	\$ 1,183,427	\$ 1,185,905
Decommissioning	355,034	324,693	297,472
Warranties	<u>26,777</u>	<u>40,111</u>	<u>60,141</u>
	<u>\$ 1,568,118</u>	<u>\$ 1,548,231</u>	<u>\$ 1,543,518</u>
Current	\$ 64,469	\$ 88,961	\$ 109,315
Non-current	<u>1,503,649</u>	<u>1,459,270</u>	<u>1,434,203</u>
	<u>\$ 1,568,118</u>	<u>\$ 1,548,231</u>	<u>\$ 1,543,518</u>

	Restoration	Decom- missioning	Warranties	Total
Balance, January 1, 2020	\$ 1,183,427	\$ 324,693	\$ 40,111	\$ 1,548,231
Provision	18,223	25,770	16,237	60,230
Payment/Reversal	(17,240)	-	(29,571)	(46,811)
Unwinding of discount	<u>1,897</u>	<u>4,571</u>	<u>-</u>	<u>6,468</u>
Balance, June 30, 2020	<u>\$ 1,186,307</u>	<u>\$ 355,034</u>	<u>\$ 26,777</u>	<u>\$ 1,568,118</u>
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>

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 plan amounted to \$81,586 thousand and \$76,886 thousand for the three months ended June 30, 2020 and 2019, respectively, and \$162,686 thousand and \$154,285 thousand for the six months ended June 30, 2020 and 2019, respectively.

b. Defined benefit plans

The Group recognized pension amounts of \$1,577 thousand and \$1,968 thousand for the three months ended June 30, 2020 and 2019, respectively, and \$3,154 thousand and \$3,937 thousand for the six months ended June 30, 2020 and 2019, respectively, by using the actuarially determined pension cost rate.

21. EQUITY

a. Common stock

As of June 30, 2020, December 31, 2019, and June 30, 2019, TWM’s authorized capital was \$60,000,000 thousand and capital issued and outstanding were \$35,093,765 thousand, \$34,959,441 thousand and \$34,335,243 thousand, respectively, divided into 3,509,376 thousand shares, 3,495,944 thousand shares and 3,433,524 thousand shares, respectively, which were all common stocks, at a par value of \$10 each.

As of June 30, 2020, December 31, 2019, and June 30, 2019, the bondholders of the 3rd domestic unsecured convertible bonds had requested to convert the bonds into 88,544 thousand, 88,522 thousand and 47,120 thousand common stocks, respectively. As of December 31, 2019, and June 30, 2019, TWM recognized 13,410 thousand and 34,429 thousand of common stocks, respectively, as capital collected in advance, totaling \$134,104 thousand and \$344,288 thousand, respectively. TWM would complete the related corporate registrations after the issuance of new stocks on the record date in accordance with the regulations.

b. Capital surplus

	June 30, 2020	December 31, 2019	June 30, 2019
Additional paid-in capital from convertible corporate bonds	\$ 12,833,194	\$ 14,424,786	\$ 10,620,629
Treasury stock transactions	5,159,704	5,159,704	5,159,704
Difference between consideration and carrying amount arising from the disposal of subsidiaries’ stock	85,965	85,965	85,965
Changes in equity of subsidiaries	501,215	501,215	501,215
Convertible bonds payable options	37,184	37,273	202,946
Changes in equity of associates accounted for using equity method	29,768	30,801	48,147
Others	<u>34,950</u>	<u>34,950</u>	<u>33,968</u>
	<u>\$ 18,681,980</u>	<u>\$ 20,274,694</u>	<u>\$ 16,652,574</u>

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

c. Appropriation of earnings and dividend policy

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

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

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

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

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

The appropriations of earnings for 2019 and 2018, which have been resolved in the AGM on June 18, 2020 and June 12, 2019, respectively, were as follows:

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

On June 18, 2020, the AGM resolved cash appropriation from the capital surplus generated from the excess of the issuance price over the par value of capital stock amounting to \$1,593,624 thousand, that is, \$0.567 per share. Thus, total amount of appropriations distributed was \$4.75 per share for 2019.

As of June 30, 2020, the cash dividends to stockholders of TWM amounted to \$13,350,468 thousand and were recognized under dividends payable.

d. Other equity interests

	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Total
Balance, January 1, 2020	\$ (34,505)	\$ 473,410	\$ 438,905
Exchange differences on translation	(11,196)	-	(11,196)
Changes in fair value of financial assets at FVTOCI	-	(567,269)	(567,269)
Unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(426,241)	(426,241)
Changes in other comprehensive income of associates accounted for using equity method	1,136	9,448	10,584
Other comprehensive income transferred to retained earnings due to disposal of investments accounted for using equity method	-	(680)	(680)
Income tax effect	<u>-</u>	<u>13,119</u>	<u>13,119</u>
Balance, June 30, 2020	<u>\$ (44,565)</u>	<u>\$ (498,213)</u>	<u>\$ (542,778)</u>
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>52,759</u>
Balance, June 30, 2019	<u>\$ (17,020)</u>	<u>\$ 1,145,667</u>	<u>\$ 1,128,647</u>

e. Treasury stock

As of June 30, 2020, December 31, 2019 and June 30, 2019, TWM's stocks held for the investment purposes by TCCI, TUI and TID, which are all wholly-owned by TWM, were 698,752 thousand shares, and the market values were \$77,212,052 thousand, \$78,260,179 thousand and \$85,597,071 thousand, respectively. Since TWM's stocks held by its subsidiaries are regarded as treasury stock, TWM recognized \$29,717,344 thousand as treasury stock. For those treasury stockholders, they have the same rights as the other stockholders, except that they are not allowed to subscribe new shares issued by TWM for cash and exercise the voting rights over such treasury stock.

f. Non-controlling interests

	For the Six Months Ended June 30	
	2020	2019
Beginning balance	\$ 6,158,984	\$ 6,112,176
Effect of retrospective application	<u>-</u>	<u>16,275</u>
Adjusted beginning balance	6,158,984	6,128,451
Portion attributable to non-controlling interests		
Profit	517,204	409,810
Exchange differences on translation	(11,280)	8,750
Unrealized gain (loss) on financial asset at FVTOCI	(1,971)	2,926
Share of other comprehensive income of associates accounted for using equity method	19,307	2,674
Changes in equity of associates accounted for using equity method	(1,490)	-
Changes in capital surplus due to disposal of investments accounted for using equity method	(1,262)	-
Cash dividends paid to non-controlling interests of subsidiaries	<u>(655,043)</u>	<u>(693,361)</u>
Ending balance	<u>\$ 6,024,449</u>	<u>\$ 5,859,250</u>

22. OPERATING REVENUES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Revenue from contracts with customers				
Telecommunications and value-added services	\$ 11,104,141	\$ 12,167,090	\$ 22,432,303	\$ 24,410,585
Sales revenue	18,505,394	15,619,361	37,307,772	31,387,565
Cable TV and broadband services	1,501,993	1,498,128	3,007,079	3,013,447
Other operating revenues	<u>230,111</u>	<u>329,972</u>	<u>447,164</u>	<u>675,627</u>
	<u>\$ 31,341,639</u>	<u>\$ 29,614,551</u>	<u>\$ 63,194,318</u>	<u>\$ 59,487,224</u>

a. Contract information

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

b. Contract balances

	June 30, 2020	December 31, 2019	June 30, 2019	January 1, 2019
Contract assets				
Bundle sales	\$ 7,777,091	\$ 8,366,531	\$ 8,431,673	\$ 8,755,126
Less: Allowance for impairment loss	<u> (66,020)</u>	<u> (71,032)</u>	<u> (71,542)</u>	<u> (74,250)</u>
	<u>\$ 7,711,071</u>	<u>\$ 8,295,499</u>	<u>\$ 8,360,131</u>	<u>\$ 8,680,876</u>
Current	\$ 4,677,432	\$ 4,832,043	\$ 5,013,363	\$ 5,472,357
Non-current	<u>3,033,639</u>	<u>3,463,456</u>	<u>3,346,768</u>	<u>3,208,519</u>
	<u>\$ 7,711,071</u>	<u>\$ 8,295,499</u>	<u>\$ 8,360,131</u>	<u>\$ 8,680,876</u>

For notes and accounts receivable, refer to Note 8.

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

	June 30, 2020	December 31, 2019	June 30, 2019	January 1, 2019
Contract liabilities				
Telecommunications and value-added services	\$ 1,002,011	\$ 1,125,265	\$ 1,155,553	\$ 1,235,446
Sales of goods	46,401	42,417	132,549	141,343
Cable TV and broadband services	659,770	672,667	706,464	694,228
Others	<u>16,844</u>	<u>12,351</u>	<u>16,322</u>	<u>15,920</u>
	<u>\$ 1,725,026</u>	<u>\$ 1,852,700</u>	<u>\$ 2,010,888</u>	<u>\$ 2,086,937</u>
Current	\$ 1,685,736	\$ 1,807,407	\$ 1,959,865	\$ 2,030,793
Non-current	<u>39,290</u>	<u>45,293</u>	<u>51,023</u>	<u>56,144</u>
	<u>\$ 1,725,026</u>	<u>\$ 1,852,700</u>	<u>\$ 2,010,888</u>	<u>\$ 2,086,937</u>

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

c. Assets related to contract costs

	June 30, 2020	December 31, 2019	June 30, 2019
Incremental costs of obtaining a contract - non-current	<u>\$ 1,878,963</u>	<u>\$ 2,119,052</u>	<u>\$ 2,428,080</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, 2020 and 2019 were \$441,520 thousand and \$653,758 thousand, respectively, and for the six months ended June 30, 2020 and 2019 were \$925,259 thousand and \$1,357,200 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	
	2020	2019	2020	2019
Dividend income	\$ 8,398	\$ 6,438	\$ 8,398	\$ 6,438
Other income	<u>8,070</u>	<u>19,611</u>	<u>9,905</u>	<u>36,634</u>
	<u>\$ 16,468</u>	<u>\$ 26,049</u>	<u>\$ 18,303</u>	<u>\$ 43,072</u>

b. Other gains and losses, net

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Loss on disposal of property, plant and equipment, net	\$ (8,849)	\$ (21,570)	\$ (23,798)	\$ (37,537)
Gain on disposal of intangible assets	8,800	-	8,800	-
Gain on disposal of investments accounted for using equity method	58,494	-	58,494	-
Valuation gain (loss) on financial assets at FVTPL	-	103	(149)	3,970
Valuation gain on financial liabilities at FVTPL	-	-	-	1,819
Loss on foreign exchange, net	(12,939)	(6,126)	(3,596)	(4,452)
Others	<u>60</u>	<u>(939)</u>	<u>(413)</u>	<u>(1,738)</u>
	<u>\$ 45,566</u>	<u>\$ (28,532)</u>	<u>\$ 39,338</u>	<u>\$ (37,938)</u>

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Interest expense				
Bank loans	\$ 43,549	\$ 36,784	\$ 106,484	\$ 83,701
Corporate bonds	71,986	67,166	112,737	137,970
Lease liabilities	21,945	24,247	45,007	48,808
Others	<u>20,212</u>	<u>11,643</u>	<u>38,122</u>	<u>23,627</u>
	157,692	139,840	302,350	294,106
Less: Capitalized interest	<u>-</u>	<u>(1,209)</u>	<u>-</u>	<u>(2,388)</u>
	<u>\$ 157,692</u>	<u>\$ 138,631</u>	<u>\$ 302,350</u>	<u>\$ 291,718</u>
Capitalization rates	-	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	
	2020	2019	2020	2019
Current income tax expense				
Current period	\$ 781,914	\$ 792,115	\$ 1,487,162	\$ 1,535,377
Prior years' adjustment	(7,723)	47,711	(7,723)	47,711
Others	-	-	-	(17,079)
	<u>774,191</u>	<u>839,826</u>	<u>1,479,439</u>	<u>1,566,009</u>
Deferred income tax expense				
Temporary differences	<u>38,738</u>	<u>(4,856)</u>	<u>98,907</u>	<u>60,938</u>
Income tax expense	<u>\$ 812,929</u>	<u>\$ 834,970</u>	<u>\$ 1,578,346</u>	<u>\$ 1,626,947</u>

According to the amendments to the Statute for Industrial Innovation announced in 2019, the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group has already deducted the amount of the unappropriated earnings that has been reinvested as capital expenditures.

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Deferred income tax expense (income)				
Unrealized (gain) loss on financial assets at FVTOCI	<u>\$ 11,631</u>	<u>\$ 1,982</u>	<u>\$ (13,119)</u>	<u>\$ (52,759)</u>

c. Income tax examinations

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

<u>Company</u>	<u>Year</u>
TWM	2017
TCC	2018
WMT	2018
TNH	2018
TFN	2018
TT&T	2017
TCCI	2018
TDC	2019
TDS	2018
TPIA	2018
TFC	2018
TUI	2018
TID	2018
TKT	2018
TFNM	2017
GFMT	2018
GWMT	2018
WTVB	2017
YJCTV	2017
MCTV	2018
PCTV	2017
UCTV	2017
GCTV	2017
momo	2017
FLI	2018
FPI	2018
FST	2018
Bebe Poshe	2018

25. EARNINGS PER SHARE

	<u>For the Three Months Ended June 30, 2020</u>		
	<u>Amount After Income Tax</u>	<u>Weighted- average Number of Common Stock (In Thousands)</u>	<u>EPS</u>
Basic EPS			
Profit attributable to owners of the parent	\$ 3,047,593	2,810,625	<u>\$ 1.08</u>
Effect of potential dilutive common stock:			
Employees' compensation	-	1,793	
Convertible bonds	<u>2,088</u>	<u>9,292</u>	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 3,049,681</u>	<u>2,821,710</u>	<u>\$ 1.08</u>

	For the Three Months Ended June 30, 2019		
	Amount After Income Tax	Weighted- average Number of Common Stock (In Thousands)	EPS
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 Six Months Ended June 30, 2020		
	Amount After Income Tax	Weighted- average Number of Common Stock (In Thousands)	EPS
Basic EPS			
Profit attributable to owners of the parent	\$ 6,362,233	2,810,621	<u>\$ 2.26</u>
Effect of potential dilutive common stock:			
Employees' compensation	-	2,924	
Convertible bonds	<u>4,173</u>	<u>9,296</u>	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 6,366,406</u>	<u>2,822,841</u>	<u>\$ 2.25</u>
	For the Six Months Ended June 30, 2019		
	Amount After Income Tax	Weighted- average Number of Common Stock (In Thousands)	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>

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, 2020

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Lease liabilities (including current and non-current portions)	<u>\$ 9,650,389</u>	<u>\$ (1,983,541)</u>	<u>\$ 1,699,731</u>	<u>\$ (160,291)</u>	<u>\$ 9,206,288</u>

For the Six Months Ended June 30, 2019

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

27. CAPITAL MANAGEMENT

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

28. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Financial assets</u>			
Financial assets at FVTPL	\$ -	\$ 149	\$ 85,444
Financial assets at FVTOCI (including current and non-current portions)	4,840,242	5,492,381	6,181,521
Financial assets measured at amortized cost (including current and non-current portions) (Note 1)	<u>19,342,412</u>	<u>20,722,936</u>	<u>17,840,469</u>
Total	<u>\$ 24,182,654</u>	<u>\$ 26,215,466</u>	<u>\$ 24,107,434</u>
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost (including current and non-current portions) (Note 2)	<u>\$ 93,241,980</u>	<u>\$ 61,453,923</u>	<u>\$ 70,312,318</u>

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

Note 2: The balances comprise short-term borrowings, short-term notes and bills payable, payables, other financial liabilities (classified as other current liabilities), bonds payable, long-term borrowings and guarantee deposits.

b. Fair value of financial instruments

1) Financial instruments not at fair value

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

	<u>June 30, 2020</u>		<u>December 31, 2019</u>		<u>June 30, 2019</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>						
Bonds payable (including current portion)	\$ 35,886,949	\$ 36,108,629	\$ 15,903,436	\$ 16,077,220	\$ 24,444,066	\$ 25,407,096

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, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Equity instruments				
Limited partnerships	\$ _____-	\$ _____-	\$ _____-	\$ _____-

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 3,749,224	\$ -	\$ -	\$ 3,749,224
Domestic unlisted stocks	-	-	664,043	664,043
Limited partnerships	-	-	394,124	394,124
Foreign unlisted stocks	-	2,666	30,185	32,851
	<u>\$ 3,749,224</u>	<u>\$ 2,666</u>	<u>\$ 1,088,352</u>	<u>\$ 4,840,242</u>
				(Concluded)

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Equity instruments				
Limited partnerships	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149</u>	<u>\$ 149</u>

Financial assets at FVTOCI

Equity instruments				
Domestic listed stocks	\$ 4,819,602	\$ -	\$ -	\$ 4,819,602
Domestic unlisted stocks	-	-	173,515	173,515
Limited partnerships	-	-	462,068	462,068
Foreign unlisted stocks	-	7,407	29,789	37,196
	<u>\$ 4,819,602</u>	<u>\$ 7,407</u>	<u>\$ 665,372</u>	<u>\$ 5,492,381</u>

June 30, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Beneficiary certificates	<u>\$ 85,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,444</u>

Financial assets at FVTOCI

Equity instruments				
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
	<u>\$ 5,450,576</u>	<u>\$ 11,636</u>	<u>\$ 719,309</u>	<u>\$ 6,181,521</u>

<u>Financial liabilities at FVTPL</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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There was no transfer between the fair value measurements of Levels 1 and 2 for the six months ended June 30, 2020 and 2019.

Valuation techniques and assumptions used in fair value determination

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

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

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

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

Equity instruments

The evaluation of fair value of unlisted stocks is mainly referenced to the same type of companies through the market approach or asset approach. The unobservable input parameter was liquidity discount rates, which were ranging from 20% to 25%, 20% to 30% and 20% to 30% as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

The fair value of limited partnerships investments was evaluated through the market approach and income approach. The evaluation and assumptions are mainly referenced to related information of comparable market targets and estimated future cash flows. The unobservable input parameter was liquidity discount rates, which were estimated at 33.5%, 29.6% and 29.6% as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

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

For the Six Months Ended June 30, 2020

	Financial Assets at FVTPL - Equity Instruments	Financial Assets at FVTOCI - Equity Instruments
Balance at January 1, 2020	\$ 149	\$ 665,372
Additions	-	500,000
Recognized in profit or loss (loss on financial assets at FVTPL)	(149)	-
Recognized in other comprehensive income (unrealized loss on financial assets at FVTOCI)	-	(77,020)
Balance at June 30, 2020	<u>\$ -</u>	<u>\$1,088,352</u>

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>

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 sheets 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 Group fully complies with the provisions and financial covenants of loan contracts. As of June 30, 2020, December 31, 2019 and June 30, 2019, the Group had unused bank facilities of \$69,353,385 thousand, \$56,641,022 thousand and \$68,773,236 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 of which carrying amounts approximate contractual cash flows.

	Contractual Cash Flows	Within 1 Year	1-5 Years	More Than 5 Years
<u>June 30, 2020</u>				
Unsecured loans	\$ 13,619,883	\$ 11,615,944	\$ 2,003,939	\$ -
Secured loans	2,968,159	350,233	2,617,926	-
Short-term notes and bills payable	9,800,000	9,800,000	-	-
Bonds payable	37,512,940	274,880	21,926,060	15,312,000
Lease liabilities	<u>9,345,939</u>	<u>3,592,077</u>	<u>5,718,193</u>	<u>35,669</u>
	<u>\$ 73,246,921</u>	<u>\$ 25,633,134</u>	<u>\$ 32,266,118</u>	<u>\$ 15,347,669</u>

(Continued)

	Contractual Cash Flows	Within 1 Year	1-5 Years	More Than 5 Years
<u>December 31, 2019</u>				
Unsecured loans	\$ 22,351,278	\$ 16,337,490	\$ 6,013,788	\$ -
Secured loans	3,127,824	360,411	2,767,413	-
Short-term notes and bills payable	1,900,000	1,900,000	-	-
Bonds payable	16,674,020	140,880	7,443,140	9,090,000
Lease liabilities	<u>9,814,113</u>	<u>3,605,364</u>	<u>6,173,611</u>	<u>35,138</u>
	<u>\$ 53,867,235</u>	<u>\$ 22,344,145</u>	<u>\$ 22,397,952</u>	<u>\$ 9,125,138</u>
<u>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>

(Concluded)

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, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 50,268	29.58	\$ 1,486,900
EUR	1,446	33.27	48,111
RMB	33,708	4.18	140,898
Non-monetary items			
USD	14,344	29.58	424,309
RMB	132,873	4.18	555,409
HKD	699	3.816	2,666
THB	133,009	0.965	128,288
<u>Foreign currency liabilities</u>			
Monetary items			
USD	14,016	29.58	414,565
EUR	68	33.27	2,252
HKD	6,474	3.816	24,706
JPY	35,618	0.276	9,827
	December 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 50,271	30.02	\$ 1,509,081
EUR	1,162	33.62	39,057
RMB	29,446	4.299	126,589
Non-monetary items			
USD	16,384	30.02	491,857
RMB	130,270	4.299	560,029
HKD	1,921	3.855	7,407
THB	118,371	1.01	119,531
<u>Foreign currency liabilities</u>			
Monetary items			
USD	15,795	30.02	474,108
EUR	97	33.62	3,251
HKD	9,326	3.855	35,950
JPY	38,710	0.275	10,645

	June 30, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 32,611	31.08	\$ 1,013,537
EUR	871	35.34	30,781
RMB	29,425	4.52	133,000
Non-monetary items			
USD	17,460	31.08	542,644
RMB	163,191	4.52	737,623
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

Refer to Note 23(b) for the information related to the Group's realized and unrealized foreign exchange gains (losses) for the three months and the six months ended June 30, 2020 and 2019, respectively. Due to the variety of foreign currency transactions and functional currencies, the Group could not disclose the foreign exchange gains (losses) for each foreign currency with significant influence.

Sensitivity analysis

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts denominated in monetary items of foreign currencies. If there had been an unfavorable 5% movement in the levels of foreign exchanges against NTD at the end of the reporting period (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have decreased by \$61,228 thousand and \$26,441 thousand for the six months ended June 30, 2020 and 2019, respectively.

b) Interest rate risk

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Fair value interest rate risk			
Financial assets	\$ 5,065,348	\$ 5,763,639	\$ 4,741,522
Financial liabilities	64,572,257	41,837,415	35,005,977
Cash flow interest rate risk			
Financial assets	3,989,526	3,697,273	2,630,572
Financial liabilities	5,777,687	9,859,372	7,091,011

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 \$4,470 thousand and \$11,122 thousand for the six months ended June 30, 2020 and 2019, respectively.

c) Other market price risk

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

Sensitivity analysis

If the prices of equity instruments had decreased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), profit would have decreased by \$4,272 thousand since the fair value of financial assets at FVTPL decreased for the six months ended June 30, 2019, and other comprehensive income would have decreased by \$242,012 thousand and \$309,076 thousand since the fair value of financial assets at FVTOCI decreased for the six months ended June 30, 2020 and 2019, respectively.

29. RELATED-PARTY TRANSACTIONS

- a. Parent company and ultimate controlling party

TWM is the ultimate controlling party of the Group.

- b. Related party name and nature of relationship

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

(Continued)

Related Party	Nature of Relationship
Chen Yun Co., Ltd.	Other related party
Xi Guo Co., Ltd.	Other related party
Cho Pharma Inc.	Other related party
Mitchiller Media Co., Ltd.	Other related party (not a related party since August 2019)
Taiwan Mobile Foundation (TMF)	Other related party
Taipei New Horizon Foundation (TNHF)	Other related party
Fubon Cultural & Educational Foundation	Other related party
Fubon Charity Foundation	Other related party
Fubon Art Foundation	Other related party
Taipei Fubon Bank Charity Foundation	Other related party
Taipei New Horizon Management Agency	Other related party
Key management	Chairman, director, general manager, manager, etc.

(Concluded)

c. Significant transactions with related parties

1) Operating revenue

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Associates	\$ 19,016	\$ 22,094	\$ 29,589	\$ 45,049
Other related parties	<u>223,031</u>	<u>222,708</u>	<u>413,390</u>	<u>409,037</u>
	<u>\$ 242,047</u>	<u>\$ 244,802</u>	<u>\$ 442,979</u>	<u>\$ 454,086</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	
	2020	2019	2020	2019
Associates	\$ 192,765	\$ 98,163	\$ 388,255	\$ 190,502
Other related parties	<u>69,601</u>	<u>76,954</u>	<u>127,533</u>	<u>205,664</u>
	<u>\$ 262,366</u>	<u>\$ 175,117</u>	<u>\$ 515,788</u>	<u>\$ 396,166</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, 2020	December 31, 2019	June 30, 2019
Notes and accounts receivable	Associates	\$ 13,605	\$ 4,729	\$ 5,561
Notes and accounts receivable	Other related parties	<u>179,574</u>	<u>141,457</u>	<u>145,307</u>
		<u>\$ 193,179</u>	<u>\$ 146,186</u>	<u>\$ 150,868</u>
Other receivables	Associates	\$ 48,442	\$ 63,988	\$ 113,862
Other receivables	Other related parties	<u>126,045</u>	<u>65,285</u>	<u>134,108</u>
		<u>\$ 174,487</u>	<u>\$ 129,273</u>	<u>\$ 247,970</u>

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

4) Payables due to related parties

Account	Related Party Categories	June 30, 2020	December 31, 2019	June 30, 2019
Accounts payable	Associates	\$ 80,122	\$ 101,077	\$ 103,113
Accounts payable	Other related parties	<u>70,834</u>	<u>34,085</u>	<u>88,337</u>
		<u>\$ 150,956</u>	<u>\$ 135,162</u>	<u>\$ 191,450</u>
Other payables	Other related parties	<u>\$ 13,896</u>	<u>\$ 13,723</u>	<u>\$ 13,895</u>

5) Prepayments

	June 30, 2020	December 31, 2019	June 30, 2019
Other related parties	<u>\$ 48,383</u>	<u>\$ 15,803</u>	<u>\$ 60,873</u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
Other related parties			
TFCB	\$ 1,833,281	\$ 2,102,334	\$ 1,538,883
Others	<u>27,890</u>	<u>18,736</u>	<u>24,000</u>
	<u>\$ 1,861,171</u>	<u>\$ 2,121,070</u>	<u>\$ 1,562,883</u>

7) Cash equivalents

For the Six Months Ended June 30, 2019

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

8) Acquisition of investments accounted for using equity method

Related Party	Transaction Date	Target	Shares (In Thousands)	Purchase Price
AppWorks Fund III	April 2020	AppWorks Fund III	21,000	<u>\$ 210,000</u>

9) Others

	June 30, 2020	December 31, 2019	June 30, 2019	
Guarantee deposits Other related parties	<u>\$ 54,533</u>	<u>\$ 54,256</u>	<u>\$ 53,976</u>	
Other current liabilities - receipts under custody Other related parties	<u>\$ 124,780</u>	<u>\$ 123,993</u>	<u>\$ 92,583</u>	
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Operating expenses Other related parties				
TMF	\$ 5,112	\$ 4,475	\$ 10,850	\$ 8,300
TNHF	2,000	2,000	5,000	5,000
TFCB	49,412	73,867	95,238	128,215
Others	<u>75,905</u>	<u>72,452</u>	<u>94,648</u>	<u>87,552</u>
	<u>\$ 132,429</u>	<u>\$ 152,794</u>	<u>\$ 205,736</u>	<u>\$ 229,067</u>
Other income Other related parties				
TFCB	<u>\$ 15,233</u>	<u>\$ -</u>	<u>\$ 31,208</u>	<u>\$ -</u>

10) Lease arrangements

Acquisition of right-of-use assets

	For the Six Months Ended June 30	
	2020	2019
Other related parties	<u>\$ 7,769</u>	<u>\$ 88,264</u>

Lease liabilities (including current and non-current portions)

	June 30, 2020	December 31, 2019	June 30, 2019
Other related parties	\$ 514,958	\$ 620,621	\$ 725,319

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	
	2020	2019	2020	2019
Short-term employee benefits	\$ 69,216	\$ 64,058	\$ 144,634	\$ 142,610
Termination and post-employment benefits	<u>939</u>	<u>4,254</u>	<u>5,835</u>	<u>16,702</u>
	<u>\$ 70,155</u>	<u>\$ 68,312</u>	<u>\$ 150,469</u>	<u>\$ 159,312</u>

30. ASSETS PLEDGED

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

	June 30, 2020	December 31, 2019	June 30, 2019
Other current financial assets	\$ 166,999	\$ 165,201	\$ 156,132
Services concessions	6,880,694	6,970,053	7,059,413
Other non-current financial assets	<u>267,507</u>	<u>271,653</u>	<u>168,054</u>
	<u>\$ 7,315,200</u>	<u>\$ 7,406,907</u>	<u>\$ 7,383,599</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	June 30, 2020	December 31, 2019	June 30, 2019
Purchases of property, plant and equipment	<u>\$ 17,846,986</u>	<u>\$ 3,670,907</u>	<u>\$ 3,803,534</u>
Purchases of cellular phones	<u>\$ 2,194,041</u>	<u>\$ 2,268,710</u>	<u>\$ 2,376,495</u>

As of June 30, 2020, December 31, 2019 and June 30, 2019, the amounts of lease commitments commencing after the balance sheet date were \$537,879 thousand, \$648,683 thousand and \$689,232 thousand, respectively.

- b. As of June 30, 2020, December 31, 2019 and June 30, 2019, the amounts of endorsements and guarantees provided to group entities were all \$21,550,000 thousand.
- c. In accordance with the NCC's policy and regulations, TWM entered into a contract with DBS Bank Ltd., which provided a performance guarantee for advance receipts from prepaid cards and electronic gift certificates, totaling \$510,269 thousand and \$19,709 thousand, respectively, as of June 30, 2020.

In accordance with the NCC's policy and regulations, cable television companies should provide performance bonds based on a certain proportion of the advance receipts from their subscribers. As of June 30, 2020, the cable television companies had provided \$74,238 thousand as performance bonds, classified as other non-current financial assets.

In accordance with the Ministry of Economic Affairs' policy and regulations, momo entered into a contract with First Commercial Bank Co., Ltd., which provided a performance guarantee for advance receipts from prepaid bonuses and electronic tickets totaling \$84,828 thousand and \$52,992 thousand, respectively, as of June 30, 2020.

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

1) Construction and operating period:

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

2) Development concession:

The total initial amount of concession was \$1,238,095 thousand (tax excluded). According to the supplemental agreement signed in November 2014, the concession will be paid with additional business tax from the signing date of the supplemental agreement; thus, the concession will be increased by \$48,750 thousand. The rest of the concession will be paid over 14 years from fiscal year 2015. As of June 30, 2020, \$736,937 thousand (tax included) of the concession had been paid.

3) Performance guarantee:

As of June 30, 2020, TNH had provided a \$32,500 thousand performance guarantee regarding the BOT contract.

4) Rental of land:

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

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

- e. In August 2015, Far EastOne Telecommunications (“FET”) filed a civil statement of complaint with the Court, in which FET claimed that (i) TWM shall apply for the return the C4 spectrum block (1748.7-1754.9/1843.7-1849.9 MHz) back to the NCC; (ii) TWM shall not use the C4 spectrum block; (iii) TWM shall not use the C1 spectrum block until TWM’s application for the return of the C4 spectrum block is approved by the NCC; and (iv) TWM shall provide \$1,005,800 thousand to FET as compensation. In May 2016, the Court decided against TWM regarding claims (i), (ii), and (iii) of the lawsuit; and the Court decided against FET regarding claim (iv) of the lawsuit. FET offered a security deposit of \$320,630 thousand for the provisional execution of claims (i) to (iv). TWM offered a counter-security deposit of \$961,913 thousand in order to be exempted from the provisional execution of claims (i) to (iv). In addition, TWM offered a counter-security deposit for the exemption from provisional execution of the sentence, and the counter-security deposit was reclaimed in March 2018. TWM and FET appealed the aforementioned sentences respectively. The judgment dismissed by the High Court were as follows: 1. (1) TWM “shall apply for the return of the C4 spectrum block to the NCC immediately”, “shall not use the C4 spectrum block in any way”, and “TWM shall not use the C1 spectrum block before the C4 spectrum block has been returned to and approved by the NCC”, and (2) the claim stated in section 2(2) below, in which the corresponding portion of FET’s claimed provisional execution and litigation expenses were rejected. 2. (1) For the dismissed portion stated in the above section (1), FET’s claim and motion of provisional execution in the first instance were rejected; and (2) for the dismissed portion stated in the above section 1(2), TWM shall pay FET \$765,779 thousand, as well as a 5% annual interest payment, for the period starting from September 5, 2015 to the payment date, on \$152,584 thousand of the above amount. 3. The rest of FET’s appeals were rejected. 4. TWM shall bear half of the litigation expenses in the first and second instances, and FET shall bear the rest. 5. Regarding the portion of the judgment regarding TWM’s payment, FET may file a provisional execution with a collateral of \$255,260 thousand or a negotiable certificate deposit (NCD) issued by Far Eastern International Bank for the equal amount; and TWM may provide a counter-security of \$765,779 thousand to be exempted from the above FET provisional execution. 6. The rest of FET’s motions on provisional execution were rejected. TWM and FET appealed the sentence respectively. On May 29, 2019, the judgment dismissed by the Supreme Court was as follows: regarding the portion of the High Court’s original judgment on (1) dismissed FET’s other appeal, (2) ruled the TWM’s payment obligation, and (3) ruled the litigation expenses with respect to above-mentioned two items shall be dismissed, and the Supreme Court remanded the case to the High Court. The case is now under the trial of the High Court.

32. OTHERS

- a. Employee benefits, depreciation, and amortization are summarized as follows:

	For the Three Months Ended June 30					
	2020			2019		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 616,487	\$ 1,229,390	\$ 1,845,877	\$ 548,856	\$ 1,142,146	\$ 1,691,002
Insurance expenses	52,976	105,043	158,019	47,032	100,314	147,346
Pension	28,094	55,068	83,162	25,103	51,905	77,008
Others	29,241	61,983	91,224	25,768	62,220	87,988
Depreciation	2,456,719	251,162	2,707,881	2,989,296	249,675	3,238,971
Amortization	776,797	536,780	1,313,577	759,342	755,113	1,514,455

	For the Six Months Ended June 30					
	2020			2019		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 1,232,980	\$ 2,479,593	\$ 3,712,573	\$ 1,108,585	\$ 2,334,846	\$ 3,443,431
Insurance expenses	105,577	210,916	316,493	93,076	205,735	298,811
Pension	55,429	108,971	164,400	50,028	104,494	154,522
Others	58,304	126,422	184,726	51,112	127,392	178,504
Depreciation	4,968,410	505,176	5,473,586	6,053,579	503,237	6,556,816
Amortization	1,542,058	1,107,992	2,650,050	1,516,991	1,565,398	3,082,389

Information of employees' compensation and remuneration of directors

According to TWM's Articles, the estimated employees' compensation and remuneration of directors are set at the rates of 1% to 3% and no higher than 0.3%, respectively, of profit before income tax, employees' compensation, and remuneration of directors. Estimations for employees' compensation were \$96,193 thousand, \$101,441 thousand, \$198,090 thousand and \$197,504 thousand, and remuneration to directors were \$9,619 thousand, \$10,144 thousand, \$19,809 thousand and \$19,750 thousand, which were calculated by applying the rates to the aforementioned profit before income tax, for the three months and the six months ended June 30, 2020 and 2019, respectively.

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

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

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

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

- b. As of the date the consolidated financial statements were authorized for issue, COVID-19 epidemic did not cause significant impact on the Group's operating ability, financing situation and assessment of asset impairment, and the Group is continuously assessing and overseeing.

33. ADDITIONAL DISCLOSURES

- a. Information on significant transactions and b. Information on investees:
- 1) Financing extended to other parties: Table 1 (attached)
 - 2) Endorsements/guarantees provided to other parties: Table 2 (attached)
 - 3) Marketable securities held (excluding investments in subsidiaries and associates): Table 3 (attached)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Table 5 (attached)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
 - 8) Receivables from related parties of at least NT\$100 million or 20% of the paid-in capital: Table 7 (attached)
 - 9) Names, locations and related information of investees on which TWM exercised significant influence (excluding information on investment in Mainland China): Table 8 (attached)
 - 10) Trading in derivative instruments: None
 - 11) Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 9 (attached)
- c. Information on investment in Mainland China:
- 1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 10 (attached)
 - 2) Significant direct or indirect transactions with the investee companies, the prices and terms of payment, unrealized gain or loss, and other related information, which is helpful to understand the impact of investment in Mainland China on financial reports: Table 9 (attached)
- d. Information of major stockholders, the name, the number of stocks owned, and percentage of ownership of each stockholder with ownership of 5% or greater: Table 11 (attached)

34. SEGMENT INFORMATION

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

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

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

Cable television: providing pay TV and cable broadband services.

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

For the Three Months Ended June 30, 2020	Telecommunications	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$14,355,250	\$15,834,104	\$ 1,542,673	\$ 134,716	\$ (255,104)	\$31,341,639
Operating costs	8,575,616	14,390,018	784,001	80,862	(421,512)	23,408,985
Operating expenses	2,814,568	1,007,100	194,033	11,375	(146,285)	3,880,791
Net other income and expenses	70,025	23,988	(771)	-	(12,434)	80,808
Profit	3,035,091	460,974	563,868	42,479	30,259	4,132,671
EBITDA (Note)	6,190,312	657,619	741,227	90,767	32,684	7,712,609

For the Three Months Ended June 30, 2019	Telecommunication	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 Six Months Ended June 30, 2020	Telecommunication	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$29,976,283	\$30,939,811	\$ 3,084,421	\$ 271,575	\$ (1,077,772)	\$63,194,318
Operating costs	18,148,186	28,016,804	1,571,088	161,822	(907,462)	46,990,438
Operating expenses	5,611,086	1,947,201	388,854	28,758	(258,025)	7,717,874
Net other income and expenses	108,362	47,101	(1,975)	-	(24,817)	128,671
Profit	6,325,373	1,022,907	1,122,504	80,995	62,898	8,614,677
EBITDA (Note)	12,684,676	1,410,759	1,481,751	177,497	58,371	15,813,054

For the Six Months Ended June 30, 2019	Telecommunication	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

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	
	2020	2019
Taiwan, ROC	\$ 61,944,006	\$ 58,016,774
Overseas	<u>1,250,312</u>	<u>1,470,450</u>
	<u>\$ 63,194,318</u>	<u>\$ 59,487,224</u>

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING EXTENDED TO OTHER PARTIES
FOR THE SIX MONTHS ENDED JUNE 30, 2020

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits	Note
													Item	Value			
1	TCC	TWM TFC	Other receivables	Yes	\$ 400,000	\$ 400,000	\$ 341,000	0.87178%-1.09422%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 35,382,479	\$ 35,382,479	Note 2
			Other receivables	Yes	700,000	700,000	327,000	1.17056%-1.39400%	Short-term financing	-	Operation requirements	-	-	-	35,382,479	35,382,479	Note 2
2	WMT	TWM TKT TFNM WTVB	Other receivables	Yes	3,800,000	3,800,000	2,476,000	0.86989%-1.09422%	Short-term financing	-	Operation requirements	-	-	-	8,020,997	8,020,997	Note 2
			Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,020,997	8,020,997	Note 2
			Other receivables	Yes	2,770,000	2,500,000	1,350,000	0.87033%-1.09422%	Short-term financing	-	Operation requirements	-	-	-	8,020,997	8,020,997	Note 2
			Other receivables	Yes	1,000,000	1,000,000	570,000	0.87033%-1.09433%	Short-term financing	-	Operation requirements	-	-	-	8,020,997	8,020,997	Note 2
3	TFN	TWM TCC	Other receivables	Yes	9,000,000	9,000,000	7,323,000	1.09422%	Short-term financing	-	Operation requirements	-	-	-	22,817,173	22,817,173	Note 2
			Other receivables	Yes	700,000	700,000	327,000	0.87056%-1.09400%	Short-term financing	-	Operation requirements	-	-	-	22,817,173	22,817,173	Note 2
4	YJCTV	TFNM	Other receivables	Yes	100,000	100,000	100,000	1.09378%	Transactions	461,370	-	-	-	-	461,370	461,370	Notes 3 and 4
5	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	1.09378%	Transactions	538,031	-	-	-	-	538,031	538,031	Notes 3 and 4
6	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	1.09378%	Short-term financing	-	Repayment of financing	-	-	-	276,668	276,668	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, 2020

(In Thousands of New Taiwan Dollars)

No.	Company Providing Endorsements/ Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts (Note 1)	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor (Note 1)	Maximum Endorsements/ Guarantees Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	TWM	TFN TKT	Note 2 Note 2	\$ 42,000,000 313,800	\$ 21,500,000 50,000	\$ 21,500,000 50,000	\$ 8,425,950 50,000	\$ - -	35.55 0.08	\$ 60,473,969 60,473,969	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, 2020

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	June 30, 2020				Note
				Units/Shares (In Thousands)	Carrying Value	Percentage of Ownership %	Fair Value	
TWM	<u>Stock</u>							
	Chunghwa Telecom Co., Ltd.	-	Current financial assets at FVTOCI	2,174	\$ 254,301	0.028	\$ 254,301	
	Asia Pacific Telecom Co., Ltd.	-	Non-current financial assets at FVTOCI	97,171	766,679	2.55	766,679	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at FVTOCI	800	30,185	10	30,185	
	LINE Bank Taiwan Limited	-	Non-current financial assets at FVTOCI	50,000	483,501	5	483,501	
	<u>Limited Partnerships</u>							
	Grand Academy Investment, L.P.	-	Non-current financial assets at FVTOCI	-	301,213	21.67	301,213	Note 1
	Starview Heights Investment, L.P.	-	Non-current financial assets at FVTOCI	-	92,911	21.67	92,911	Note 1
TCC	<u>Stock</u>							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at FVTOCI	6,998	92,376	5.21	92,376	
WMT	<u>Limited Partnerships</u>							
	The Last Thieves, L.P.	-	Current financial assets at FVTPL	-	-	7.14	-	Note 1
TFN	<u>Stock</u>							
	Taiwan High Speed Rail Corporation	-	Current financial assets at FVTOCI	74,746	2,728,244	1.33	2,728,244	
TCCI	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	200,497	22,154,892	5.71	22,154,892	
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at FVTOCI	10,000	37,838	6.67	37,838	
TUI	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	410,665	45,378,514	11.7	45,378,514	
TID	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	87,590	9,678,646	2.5	9,678,646	
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, 2020				Note
				Units/Shares (In Thousands)	Carrying Value	Percentage of Ownership %	Fair Value	
momo	<u>Stock</u> Media Asia Group Holdings Limited We Can Medicines Co., Ltd.	- -	Current financial assets at FVTOCI Non-current financial assets at FVTOCI	43,668 2,400	\$ 2,666 50,328	2.04 7.73	\$ 2,666 50,328	

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

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

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2020

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Units/Shares (In Thousands)	Amount	Units/Shares (In Thousands)	Amount	Units/Shares (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Units/Shares (In Thousands)	Amount
TWM	LINE Bank Taiwan Limited	Non-current financial assets at FVTOCI	-	-	-	\$ 100,000 (Note 1)	50,000	\$ 400,000	-	\$ -	\$ -	\$ -	50,000	\$ 483,501 (Note 2)
TFN	Taiwan High Speed Rail Corporation	Current financial assets at FVTOCI	-	-	90,212	3,464,156	-	-	15,466	582,488	156,432	426,056	74,746	2,728,244 (Note 2)

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2020

(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counter-party	Relationship	Information on Previous Title Transfer If Counter-party Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
momo	Land	July 31, 2019	\$ 619,817 (Note)	Paid in full. (including \$557,003 thousand paid in current period)	Yi Jinn Industrial Co., Ltd.	-	-	-	\$ -	Determined by the professional appraisal report and market conditions	Set up a southern logistics center for operational needs	None	

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2020

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
TWM	TFN	Subsidiary	Sale	\$ 120,164	-	Based on contract terms	-	-	\$ 25,889	-	Note 3 Note 3
			Purchase	2,098,387	12	Based on contract terms	-	-	(416,426)	(Note 2)	
	momo	Subsidiary	Purchase	110,819	1	Based on contract terms	-	-	(56,946)	4	
			Sale	783,069	3	Based on contract terms	-	-	158,009	3	
			Purchase	138,259	1	Based on contract terms	-	-	(21,347)	2	
TT&T	TWM	Ultimate parent	Sale	505,659	90	Based on contract terms	-	-	83,495	90	
TPIA	Fubon Ins.	Other related party	Sale	116,086	91	Based on contract terms	-	-	90,761	90	
TFNM	YJCTV	Subsidiary	Channel leasing fee	211,570	13	Based on contract terms	Note 1	Note 1	-	-	
	PCTV	Subsidiary	Channel leasing fee	248,196	15	Based on contract terms	Note 1	Note 1	-	-	
	UCTV	Subsidiary	Channel leasing fee	108,929	7	Based on contract terms	Note 1	Note 1	-	-	
momo	TPE	Associate	Purchase	383,828	1	Based on contract terms	-	-	(80,122)	1	

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

Note 2: Including accounts payable and other payables.

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

TABLE 7

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, 2020

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Action Taken		
TWM	momo	Subsidiary	Accounts receivable	\$ 158,009	9.11	\$ -	-	\$ 153,971	\$ -
TCC	TWM	Parent	Other receivables	342,504		-	-	342,504	-
	TFC	Subsidiary	Other receivables	328,761		-	-	1,714	-
WMT	TWM	Parent	Other receivables	2,479,660		-	-	60,089	-
	TFNM	Subsidiary	Other receivables	1,350,512		-	-	-	-
	WTVB	Subsidiary	Other receivables	570,764		-	-	-	-
TFN	TWM	Ultimate parent	Accounts receivable	421,894	10.39	-	-	366,343	-
			Other receivables	7,421,546		-	-	7,388,337	-
	TCC	Parent	Other receivables	328,380		-	-	1,345	-
YJCTV	TFNM	Parent	Accounts receivable	4,965	6.04	-	-	3,173	-
			Other receivables	100,242		-	-	173	-
PCTV	TFNM	Parent	Accounts receivable	5,560	5.79	-	-	3,568	-
			Other receivables	520,036		-	-	1	-
GCTV	TFNM	Parent	Accounts receivable	2,411	5.79	-	-	1,543	-
			Other receivables	250,002		-	-	1	-

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, 2020

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2020			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				June 30, 2020	December 31, 2019	Shares (In Thousands)	Percentage of Ownership %	Carrying Value			
TWM	TCC	Taiwan	Investment	\$ 40,397,288	\$ 40,397,288	502,970	100	\$ 18,923,493	\$ 1,486,057	\$ 1,486,334	Note 1
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	20,051,680	1,234,501	1,234,573	Note 1
	TVC	Taiwan	Investment	215,000	5,000	21,500	100	209,616	(1,373)	(1,373)	
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,838,202	34,200	17,757	Note 1
	AppWorks	Taiwan	Venture capital, investment consulting, and management consulting	235,000	235,000	1,275	51	255,767	66,659	33,566	Note 1
	ADT	Taiwan	Technology development of mobile payment and information processing services	60,000	60,000	6,000	14.4	6,072	-	-	
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	57,043,896	1,366,990	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	85,041	25,570	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	225,193	(315)	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	30,265,489	1,841	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	25,000	2,500	100	97,197	2,804	-	Note 2
	TPIA	Taiwan	Property insurance agent	5,000	5,000	500	100	46,086	36,086	-	Note 2
	TFC	Taiwan	Type II telecommunications business	200,000	200,000	20,000	100	198,341	931	-	Note 2
WMT	TFNM	Taiwan	Type II telecommunications business	5,210,443	5,210,443	230,921	100	6,054,812	859,175	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	16,972	69	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	96,757	2,033	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	277,174	13,888	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,198,993	912,068	-	Notes 2 and 4
TVC	AppWorks Fund III	Taiwan	Venture capital	210,000	-	21,000	19.46	204,887	(52,992)	-	Note 2
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	39,842,583	(106)	-	Note 2
TCCI	TID	Taiwan	Investment	3,602,782	3,602,782	104,712	100	8,503,193	(69)	-	Note 2
TFNM	TKT	Taiwan	Digital music service	156,900	156,900	14,700	100	238,967	(6,355)	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	1,733,949	(36,157)	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	618,154	26,308	-	Notes 2 and 5
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,391,140	88,191	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,016,020	22,278	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,261,491	31,603	-	Note 2
	kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	124,936	(43,874)	-	Note 2
TKT	M.E.	Taiwan	Livestreaming artists management service, digital media production, and media planning	27,000	27,000	460	15	25,274	1,641	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2020			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				June 30, 2020	December 31, 2019	Shares (In Thousands)	Percentage of Ownership %	Carrying Value			
GFMT	UCTV	Taiwan	Cable TV service provider	\$ 16,218	\$ 16,218	1,300	0.76	\$ 15,499	\$ 22,278	\$ -	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	95,256	31,603	-	Note 2
momo	Asian Crown (BVI)	British Virgin Islands	Investment	885,285	885,285	9,735	81.99	36,485	(4,248)	-	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	624,095	10,929	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	8,147	(644)	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	9,366	111	-	Note 2
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	44,376	4,208	-	Note 2
	Bebe Poshe	Taiwan	Wholesale of cosmetics	85,000	85,000	8,500	85	59,377	(4,253)	-	Note 2
	FSL	Taiwan	Logistics and transport	250,000	-	25,000	100	251,234	1,234	-	Note 2
	TPE	Taiwan	Logistics industry	322,100	337,860	16,105	16.87	413,571	108,468	-	Note 2
	TV Direct	Thailand	Wholesale and retail sales	133,098	-	123,981	16.2	128,288	17,897	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	Note 6	116,463	Note 6	Note 6	Note 6	Note 6	-	Notes 2 and 6
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,132,789	11,594	100	40,117	(4,214)	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,132,789	11,594	100	40,117	(4,214)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	624,095	10,929	-	Note 2

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

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

Note 3: Held 1 share on June 30, 2020.

Note 4: Non-controlling interests.

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

Note 6: momo sold all of its equity interest of TVD Shopping in June 2020.

Note 7: For information on investment in Mainland China, see Table 10 for details.

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2020

(In Thousands of New Taiwan Dollars)

Number	Company Name	Counter-party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	TWM	TFN	1	Notes and accounts receivable, net	\$ 26,408	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIA	1	Notes and accounts receivable, net	58,043	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Notes and accounts receivable, net	158,009	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other receivables	35,065	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Other non-current assets	18,164	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Short-term borrowings	7,323,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	4%
		WMT	1	Short-term borrowings	2,476,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TCC	1	Short-term borrowings	341,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Notes and accounts payable	66,644	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TKT	1	Notes and accounts payable	56,946	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Notes and accounts payable	21,347	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other payables	424,933	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Other payables	83,495	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Other payables	17,249	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Other payables	16,481	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Lease liabilities - current	23,758	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Lease liabilities - current	114,462	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other current liabilities	28,422	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Other current liabilities	19,997	The terms of transaction are determined in accordance with mutual agreements or general business practices	-

(Continued)

Number	Company Name	Counter-party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	TWM	TFN	1	Lease liabilities - non-current	\$ 33,363	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Lease liabilities - non-current	310,607	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Lease liabilities - non-current	30,332	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Lease liabilities - non-current	17,237	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating revenues	120,164	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Operating revenues	11,591	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIA	1	Operating revenues	73,253	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Operating revenues	783,069	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TFN	1	Operating costs	2,098,387	The terms of transaction are determined in accordance with mutual agreements or general business practices	3%
		TKT	1	Operating costs	110,819	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Operating costs	32,831	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Operating costs	138,259	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Operating costs	16,423	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating expenses	15,137	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Operating expenses	505,659	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TFN	1	Other income and expenses, net	21,035	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
TFN	1	Finance costs	40,403	The terms of transaction are determined in accordance with mutual agreements or general business practices	-		
WMT	1	Finance costs	15,894	The terms of transaction are determined in accordance with mutual agreements or general business practices	-		
1	TCC	TFC	1	Other receivables	328,761	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Short-term borrowings	327,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
2	WMT	TFNM	1	Other receivables	1,350,512	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		WTVB	1	Other receivables	570,764	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	
3	TFN	TFC	3	Notes and accounts receivable, net	\$ 15,826	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Notes and accounts receivable, net	22,594	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFC	3	Operating revenues	46,519	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating revenues	77,211	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	3	Operating revenues	28,561	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	3	Operating expenses	53,921	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
4	momo	FSL	1	Notes and accounts payable	32,126	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Notes and accounts payable	24,637	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		FGE	1	Operating revenues	17,499	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		Bebe Poshe	1	Operating costs	21,756	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		FSL	1	Operating costs	31,334	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating costs	24,633	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
5	TFNM	PCTV	1	Other receivables	60,136	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Other receivables	36,646	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Other receivables	28,066	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Other receivables	25,687	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		MCTV	1	Other receivables	15,911	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Short-term borrowings	520,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Short-term borrowings	100,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Short-term borrowings	250,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Notes and accounts payable	42,669	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating revenues	269,116	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	
5	TFNM	YJCTV	1	Operating revenues	\$ 230,358	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating revenues	108,929	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Operating revenues	102,696	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating costs	17,553	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating costs	15,791	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating costs	11,430	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Operating costs	42,669	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, 2020

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2020	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of June 30, 2020	Accumulated Inward Remittance of Earnings as of June 30, 2020	Note
					Outflow	Inflow							
TWMC	Mobile application development and design	\$ 88,740 (USD 3,000)	b	\$ 144,111 (USD 4,872)	\$ -	\$ -	\$ 144,111 (USD 4,872)	\$ 689	100	\$ 689	\$ 75,843	-	
FGE	Wholesaling	323,948 (RMB 77,500)	b	787,253 (USD 14,000) (RMB 89,267)	-	-	787,253 (USD 14,000) (RMB 89,267)	(4,339)	76.7	(3,328)	26,139	-	
Haobo	Investment	45,980 (RMB 11,000)	b	-	-	-	-	11,519	100	11,519	597,530	-	
GHS	Wholesaling	208,999 (RMB 50,000)	b	-	-	-	-	79,154	20	12,467	555,409	-	

Company	Accumulated Investment in Mainland China as of June 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2)
TWM and subsidiaries	\$1,574,509 (US\$18,872, RMB89,267 and HK\$168,539)	\$1,574,509 (US\$18,872, RMB89,267 and HK\$168,539)	\$39,899,051

Note 1: The investment types are as follows:

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

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

TAIWAN MOBILE CO., LTD
INFORMATION OF MAJOR STOCKHOLDERS
JUNE 30, 2020

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
TUI	410,665,284	11.70
Shin Kong Life Insurance Co., Ltd.	325,962,000	9.28
Cathay Life Insurance Co., Ltd.	214,661,900	6.11
TCCI	200,496,761	5.71
Ming Dong Co., Ltd.	184,736,452	5.26

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