

Taiwan Mobile Co., Ltd. and Subsidiaries

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

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated financial statements of Taiwan Mobile Co., Ltd. and its subsidiaries (collectively, the "Group") as of September 30, 2019 and 2018, and the consolidated statements of comprehensive income for the three months and the nine months ended September 30, 2019 and 2018, and the consolidated statement of changes in equity and cash flows for the nine months ended September 30, 2019 and 2018, 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". 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 September 30, 2019 and 2018, and its consolidated financial performance for the three months and the nine months ended September 30, 2019 and 2018 and its consolidated cash flows for the nine months ended September 30, 2019 and 2018 in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34 "Interim Financial Reporting".

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 8, 2019

Notice to Readers

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)		September 30, 2018 (Reviewed)		LIABILITIES AND EQUITY	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)		September 30, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Notes 6 and 30)	\$ 13,023,288	8	\$ 7,498,710	5	\$ 5,935,009	4	Short-term borrowings (Note 18)	\$ 15,670,000	10	\$ 10,270,000	7	\$ 5,390,773	4
Financial assets at fair value through profit or loss (Note 30)	-	-	81,474	-	87,365	-	Short-term notes and bills payable (Note 18)	1,200,000	1	1,498,992	1	2,398,684	2
Financial assets at fair value through other comprehensive income (Note 7)	249,034	-	255,732	-	252,247	-	Contract liabilities (Note 23)	1,726,286	1	2,030,793	1	1,982,337	1
Contract assets (Note 23)	4,911,308	3	5,472,357	4	5,645,634	4	Notes and accounts payable	11,897,943	7	6,756,980	5	6,602,305	4
Notes and accounts receivable, net (Note 8)	7,585,200	5	7,531,858	5	7,669,514	5	Accounts payable due to related parties (Note 30)	180,126	-	179,588	-	158,444	-
Accounts receivable due from related parties (Note 30)	155,872	-	137,958	-	128,782	-	Other payables (Note 30)	8,387,740	5	9,581,496	6	8,998,294	6
Other receivables (Note 30)	2,151,715	2	2,066,105	1	1,792,005	1	Current tax liabilities	2,561,672	2	2,377,000	2	2,845,219	2
Inventories (Note 9)	4,706,877	3	3,945,663	3	3,272,541	2	Provisions (Note 20)	102,327	-	120,334	-	127,198	-
Prepayments (Note 30)	738,341	1	584,799	1	818,268	1	Lease liabilities (Notes 14, 27 and 30)	3,525,545	2	-	-	-	-
Assets held for sale	-	-	-	-	2,571	-	Advance receipts	119,946	-	111,250	-	101,165	-
Other financial assets (Notes 30 and 31)	600,461	-	576,542	-	410,161	-	Long-term liabilities, current portion (Notes 18 and 19)	4,803,227	3	6,802,916	5	9,803,157	7
Other current assets	106,576	-	917,689	1	959,692	1	Other current liabilities (Note 30)	2,482,571	2	2,154,154	1	2,070,579	1
Total current assets	34,228,672	22	29,068,887	20	26,973,789	18	Total current liabilities	52,657,383	33	41,883,503	28	40,478,155	27
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets at fair value through profit or loss	2,500	-	-	-	-	-	Financial liabilities at fair value through profit or loss	-	-	1,861	-	1,960	-
Financial assets at fair value through other comprehensive income (Note 7)	4,786,983	3	4,763,899	3	4,819,168	3	Contract liabilities (Note 23)	47,871	-	56,144	-	59,648	-
Contract assets (Note 23)	3,506,891	2	3,208,519	2	3,233,184	2	Bonds payable (Note 19)	17,214,347	11	24,419,137	17	29,199,701	20
Investments accounted for using equity method (Notes 10 and 30)	1,640,080	1	1,435,607	1	1,400,912	1	Long-term borrowings (Note 18)	8,636,924	5	8,889,438	6	8,940,274	6
Property, plant and equipment (Note 13)	36,990,076	23	38,855,960	26	39,477,725	27	Provisions (Note 20)	1,448,562	1	1,400,954	1	1,389,787	1
Right-of-use assets (Notes 14 and 30)	9,930,778	6	-	-	-	-	Deferred tax liabilities	960,745	1	917,261	1	916,004	1
Investment properties (Note 15)	2,978,278	2	2,999,403	2	2,991,627	2	Lease liabilities (Notes 14, 27 and 30)	6,373,530	4	-	-	-	-
Concessions (Notes 16 and 31)	38,414,344	24	40,528,874	27	41,286,668	28	Net defined benefit liabilities	471,530	-	510,880	-	395,711	-
Goodwill (Note 16)	15,872,595	10	15,872,595	11	15,872,595	11	Guarantee deposits	1,093,515	1	1,013,905	1	1,003,661	1
Other intangible assets (Note 16)	5,548,621	3	5,774,176	4	5,773,880	4	Other non-current liabilities	522,124	-	580,249	-	585,110	-
Deferred tax assets	805,778	1	806,521	1	818,450	1	Total non-current liabilities	36,769,148	23	37,789,829	26	42,491,856	29
Incremental costs of obtaining a contract (Note 23)	2,243,280	2	2,946,282	2	3,266,998	2	Total liabilities	89,426,531	56	79,673,332	54	82,970,011	56
Other financial assets (Notes 30, 31 and 32)	208,224	-	131,110	-	130,587	-	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 22)						
Other non-current assets (Notes 17 and 30)	1,672,806	1	1,275,195	1	1,401,914	1	Common stock	34,679,531	22	34,208,519	23	34,208,328	23
Total non-current assets	124,601,234	78	118,598,141	80	120,473,708	82	Capital collected in advance	279,910	-	29,819	-	191	-
							Capital surplus	19,110,633	12	12,580,692	9	12,299,832	8
							Retained earnings						
							Legal reserve	28,922,281	18	27,558,064	19	27,558,064	19
							Special reserve	95,381	-	362,703	-	362,703	-
							Unappropriated earnings	10,054,123	6	16,954,448	11	13,959,072	10
							Other equity interests	(26,166)	-	(95,381)	-	(64,600)	-
							Treasury stock	(29,717,344)	(18)	(29,717,344)	(20)	(29,717,344)	(20)
							Total equity attributable to owners of the parent	63,398,349	40	61,881,520	42	58,606,246	40
							NON-CONTROLLING INTERESTS (Note 22)	6,005,026	4	6,112,176	4	5,871,240	4
							Total equity	69,403,375	44	67,993,696	46	64,477,486	44
TOTAL	\$ 158,829,906	100	\$ 147,667,028	100	\$ 147,447,497	100	TOTAL	\$ 158,829,906	100	\$ 147,667,028	100	\$ 147,447,497	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 September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 23, 30 and 36)	\$ 30,825,915	100	\$ 28,319,973	100	\$ 90,313,139	100	\$ 87,166,400	100
OPERATING COSTS (Notes 9, 30, 34 and 36)	<u>22,691,898</u>	<u>74</u>	<u>20,179,285</u>	<u>71</u>	<u>65,863,707</u>	<u>73</u>	<u>61,153,521</u>	<u>70</u>
GROSS PROFIT FROM OPERATIONS	<u>8,134,017</u>	<u>26</u>	<u>8,140,688</u>	<u>29</u>	<u>24,449,432</u>	<u>27</u>	<u>26,012,879</u>	<u>30</u>
OPERATING EXPENSES (Notes 30, 34 and 36)								
Marketing	2,593,839	8	2,715,117	10	7,865,130	9	8,502,177	10
Administrative	1,307,808	4	1,224,373	4	3,932,546	4	3,803,663	4
Expected credit loss	<u>70,930</u>	<u>-</u>	<u>116,726</u>	<u>-</u>	<u>196,059</u>	<u>-</u>	<u>302,196</u>	<u>-</u>
Total operating expenses	<u>3,972,577</u>	<u>12</u>	<u>4,056,216</u>	<u>14</u>	<u>11,993,735</u>	<u>13</u>	<u>12,608,036</u>	<u>14</u>
OTHER INCOME AND EXPENSES, NET (Notes 30 and 36)	<u>114,973</u>	<u>-</u>	<u>127,321</u>	<u>-</u>	<u>374,780</u>	<u>-</u>	<u>490,824</u>	<u>-</u>
OPERATING INCOME (Note 36)	<u>4,276,413</u>	<u>14</u>	<u>4,211,793</u>	<u>15</u>	<u>12,830,477</u>	<u>14</u>	<u>13,895,667</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 24 and 30)	146,986	-	112,130	-	224,328	-	189,224	-
Other gains and losses, net (Notes 24 and 30)	(28,175)	-	(37,123)	-	(66,113)	-	(97,641)	-
Finance costs (Notes 24 and 30)	(141,920)	-	(152,687)	-	(433,638)	-	(453,098)	-
Share of profit (loss) of associates accounted for using equity method	<u>(522)</u>	<u>-</u>	<u>(41)</u>	<u>-</u>	<u>11,159</u>	<u>-</u>	<u>(7,878)</u>	<u>-</u>
Total non-operating income and expenses	<u>(23,631)</u>	<u>-</u>	<u>(77,721)</u>	<u>-</u>	<u>(264,264)</u>	<u>-</u>	<u>(369,393)</u>	<u>-</u>
PROFIT BEFORE TAX	4,252,782	14	4,134,072	15	12,566,213	14	13,526,274	16
INCOME TAX EXPENSE (Note 25)	<u>840,738</u>	<u>3</u>	<u>680,796</u>	<u>3</u>	<u>2,467,685</u>	<u>3</u>	<u>2,367,946</u>	<u>3</u>
NET PROFIT	<u>3,412,044</u>	<u>11</u>	<u>3,453,276</u>	<u>12</u>	<u>10,098,528</u>	<u>11</u>	<u>11,158,328</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22 and 25)								
Items that will not be reclassified subsequently to profit or loss								
Remeasurements of defined benefit plans	-	-	-	-	-	-	18,302	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(1,143,034)	(4)	392,201	1	71,615	-	239,147	-
Share of other comprehensive income (loss) of associates accounted for using equity method	269	-	(3,028)	-	8,643	-	(12,062)	-
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translation	(30,624)	-	(26,794)	-	(13,724)	-	(16,380)	-
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>5,822</u>	<u>-</u>	<u>2,288</u>	<u>-</u>	<u>4,277</u>	<u>-</u>	<u>(1,236)</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>(1,167,567)</u>	<u>(4)</u>	<u>364,667</u>	<u>1</u>	<u>70,811</u>	<u>-</u>	<u>227,771</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,244,477</u>	<u>7</u>	<u>\$ 3,817,943</u>	<u>13</u>	<u>\$ 10,169,339</u>	<u>11</u>	<u>\$ 11,386,099</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the parent	\$ 3,253,393	11	\$ 3,273,365	11	\$ 9,530,067	11	\$ 10,551,603	12
Non-controlling interests	<u>158,651</u>	<u>-</u>	<u>179,911</u>	<u>1</u>	<u>568,461</u>	<u>-</u>	<u>606,725</u>	<u>1</u>
	<u>\$ 3,412,044</u>	<u>11</u>	<u>\$ 3,453,276</u>	<u>12</u>	<u>\$ 10,098,528</u>	<u>11</u>	<u>\$ 11,158,328</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the parent	\$ 2,098,701	7	\$ 3,654,386	13	\$ 9,599,403	11	\$ 10,803,473	12
Non-controlling interests	<u>145,776</u>	<u>-</u>	<u>163,557</u>	<u>-</u>	<u>569,936</u>	<u>-</u>	<u>582,626</u>	<u>1</u>
	<u>\$ 2,244,477</u>	<u>7</u>	<u>\$ 3,817,943</u>	<u>13</u>	<u>\$ 10,169,339</u>	<u>11</u>	<u>\$ 11,386,099</u>	<u>13</u>
EARNINGS PER SHARE (Note 26)								
Basic earnings per share	<u>\$ 1.17</u>		<u>\$ 1.21</u>		<u>\$ 3.46</u>		<u>\$ 3.88</u>	
Diluted earnings per share	<u>\$ 1.15</u>		<u>\$ 1.16</u>		<u>\$ 3.39</u>		<u>\$ 3.76</u>	

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

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

	Equity Attributable to Owners of the Parent											Non-controlling Interests	Total Equity
	Common Stock	Capital Collected in Advance	Capital Surplus	Retained Earnings			Exchange Differences on Translation	Other Equity Interests		Treasury Stock	Total		
				Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets				
BALANCE, JANUARY 1, 2018	\$ 34,208,328	\$ -	\$ 13,939,278	\$ 26,138,846	\$ 690,034	\$ 14,735,424	\$ (16,499)	\$ -	\$ (346,204)	\$ (29,717,344)	\$ 59,631,863	\$ 5,879,738	\$ 65,511,601
Effect of retrospective application	-	-	-	-	-	3,354,181	-	(281,785)	346,204	-	3,418,600	(39)	3,418,561
ADJUSTED BALANCE, JANUARY 1, 2018	34,208,328	-	13,939,278	26,138,846	690,034	18,089,605	(16,499)	(281,785)	-	(29,717,344)	63,050,463	5,879,699	68,930,162
Distribution of 2017 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	1,419,218	-	(1,419,218)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(327,331)	327,331	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(13,610,406)	-	-	-	-	(13,610,406)	-	(13,610,406)
Total distribution of earnings	-	-	-	1,419,218	(327,331)	(14,702,293)	-	-	-	-	(13,610,406)	-	(13,610,406)
Cash dividends from capital surplus	-	-	(1,633,249)	-	-	-	-	-	-	-	(1,633,249)	-	(1,633,249)
Profit for the nine months ended September 30, 2018	-	-	-	-	-	10,551,603	-	-	-	-	10,551,603	606,725	11,158,328
Other comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	18,186	(9,080)	242,764	-	-	251,870	(24,099)	227,771
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	10,569,789	(9,080)	242,764	-	-	10,803,473	582,626	11,386,099
Conversion of convertible bonds to common stock	-	191	1,753	-	-	-	-	-	-	-	1,944	-	1,944
Changes in equity of associates accounted for using equity method	-	-	2,397	-	-	1,971	-	-	-	-	4,368	2,409	6,777
Changes in percentage of ownership interests in subsidiaries	-	-	(10,347)	-	-	-	-	-	-	-	(10,347)	12,663	2,316
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(616,452)	(616,452)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	10,295	10,295
BALANCE, SEPTEMBER 30, 2018	\$ 34,208,328	\$ 191	\$ 12,299,832	\$ 27,558,064	\$ 362,703	\$ 13,959,072	\$ (25,579)	\$ (39,021)	\$ -	\$ (29,717,344)	\$ 58,606,246	\$ 5,871,240	\$ 64,477,486
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 nine months ended September 30, 2019	-	-	-	-	-	9,530,067	-	-	-	-	9,530,067	568,461	10,098,528
Other comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	121	(5,002)	74,217	-	-	69,336	1,475	70,811
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	9,530,188	(5,002)	74,217	-	-	9,599,403	569,936	10,169,339
Conversion of convertible bonds to common stock	471,012	250,091	6,529,941	-	-	-	-	-	-	-	7,251,044	-	7,251,044
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(693,361)	(693,361)
BALANCE, SEPTEMBER 30, 2019	\$ 34,679,531	\$ 279,910	\$ 19,110,633	\$ 28,922,281	\$ 95,381	\$ 10,054,123	\$ (29,400)	\$ 3,234	\$ -	\$ (29,717,344)	\$ 63,398,349	\$ 6,005,026	\$ 69,403,375

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 Nine Months Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 12,566,213	\$ 13,526,274
Adjustments for:		
Depreciation expense	9,723,595	7,476,500
Amortization expense	2,582,492	2,732,310
Amortization of incremental costs of obtaining a contract	1,950,516	2,635,125
Loss on disposal of property, plant and equipment, net	54,305	56,815
Loss on disposal of intangible assets, net	-	128,002
Expected credit loss	196,059	302,196
Finance costs	433,638	453,098
Interest income	(51,096)	(46,610)
Dividend income	(117,211)	(83,164)
Reversal of impairment loss on property, plant and equipment	-	(103,586)
Share of (profit) loss of associates accounted for using equity method	(11,159)	7,878
Valuation (gain) loss on financial assets and liabilities at fair value through profit or loss	(5,209)	13,915
Others	6,990	1,047
Changes in operating assets and liabilities		
Financial assets mandatorily at fair value through profit or loss	84,864	736,265
Contract assets	264,859	1,721,226
Notes and accounts receivable	(404,063)	(11,262)
Accounts receivable due from related parties	(9,962)	(25,292)
Other receivables	(123,992)	(9,419)
Inventories	(761,214)	1,060,823
Prepayments	(282,081)	(319,888)
Other current assets	810,449	(763,257)
Other financial assets	(5,212)	(5,944)
Incremental costs of obtaining a contract	(1,247,514)	(1,734,926)
Contract liabilities	(76,623)	(741,187)
Notes and accounts payable	5,140,963	(1,386,017)
Accounts payable due to related parties	538	28,812
Other payables	(1,231,872)	(1,521,691)
Provisions	365	(60,637)
Advance receipts	8,024	12,313
Other current liabilities	92,532	(87,631)
Net defined benefit liabilities	(39,350)	(47,333)
Other non-current liabilities	-	(14,808)
Cash inflows generated from operating activities	29,549,844	23,929,947
Interest received	197	911
Interest paid	(974)	(930)
Income taxes paid	(2,210,403)	(1,462,925)

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
Net cash generated from operating activities	\$ 27,338,664	\$ 22,467,003
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(5,109,985)	(6,068,958)
Acquisition of right-of-use assets	(16,808)	-
Acquisition of intangible assets	(206,165)	(289,578)
Increase in prepayments for equipment	(200,110)	(266,363)
Increase in prepayments for investment	(100,000)	-
Proceeds from disposal of property, plant and equipment	37,146	39,462
Increase (decrease) in advanced receipts from assets disposals	368	(6)
Acquisition of investments accounted for using equity method	(27,000)	(20,771)
Redemption of convertible notes	-	491,192
Proceeds from capital return of investments accounted for using equity method	-	31,090
Net cash outflow on acquisition of subsidiaries	-	(2,925)
Proceeds from capital return of financial assets at fair value through other comprehensive income	-	3,149
Increase in refundable deposits	(208,262)	(244,055)
Decrease in refundable deposits	204,232	223,243
Increase in other financial assets	(152,825)	(86,107)
Decrease in other financial assets	55,090	2,473,503
Interest received	46,429	46,690
Dividend received	185,379	150,645
Net cash used in investing activities	<u>(5,492,511)</u>	<u>(3,519,789)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	5,400,000	(4,279,522)
Decrease in short-term notes and bills payable	(298,700)	(3,196,783)
Proceeds from issue of bonds	-	14,984,564
Repayments of bonds payable	-	(2,900,000)
Repayment of long-term borrowings	(2,253,000)	(8,155,042)
Repayment of the principal portion of lease liabilities	(2,824,316)	-
Increase in guarantee deposits received	172,162	103,409
Decrease in guarantee deposits received	(93,114)	(79,275)
Cash dividends paid (including paid to non-controlling interests)	(16,059,547)	(15,860,099)
Interest paid	(362,330)	(261,007)
Changes in non-controlling interests	-	2,316
Net cash used in financing activities	<u>(16,318,845)</u>	<u>(19,641,439)</u>

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	\$ <u>(2,730)</u>	\$ <u>(2,310)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,524,578	(696,535)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>7,498,710</u>	<u>6,631,544</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 13,023,288</u>	<u>\$ 5,935,009</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 NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

TWM received a second-generation (“2G”) mobile telecommunications concession operation license issued by the Directorate General of Telecommunications (“DGT”) of the ROC. The license allows TWM to provide services for 15 years from 1997 onwards. The 2G concession license had been renewed by the National Communications Commission (“NCC”) and terminated on June 30, 2017. TWM received a third-generation (“3G”) concession license issued by the DGT in March 2005, and the 3G concession license terminated on December 31, 2018. TWM participated in the fourth-generation (“4G”) mobile spectrum auctions held by NCC for the need of long-term business development and from April 2014 to June 2018 acquired the concession licenses for the mobile broadband spectrum in the 700, 1800 and 2100MHz frequency bands separately, and the aforementioned licenses are valid until December 2030 and December 2033, respectively. In July 2019, the Board of Directors resolved that TWM would participate in the fifth-generation (“5G”) mobile spectrum auction held by NCC.

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 November 8, 2019.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

IFRS 16 “Leases”

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

Definition of a lease

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

The Group as lessee

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

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

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

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

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

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

The Group as lessor

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

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

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

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

- b. The IFRSs issued by International Accounting Standards Board (“IASB”) and endorsed by FSC for application starting from 2020.

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 2)

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

Note 2: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

- c. New IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC.

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of Compliance

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

Basis of Consolidation

- a. The basis of preparing the consolidated financial statements is the same as that of the consolidated financial statements for the year ended December 31, 2018.
- b. The subsidiaries included in the consolidated financial statements were as follows:

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			September 30, 2019	December 31, 2018	September 30, 2018	
TWM	Taiwan Cellular Co., Ltd. (TCC)	Investment	100.00%	100.00%	100.00%	-
	Wealth Media Technology Co., Ltd. (WMT)	Investment	100.00%	100.00%	100.00%	-
	TWM Venture Co., Ltd. (TVC)	Investment	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%	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 Co., Ltd. (TFC)	Type II Telecommunications Business	100.00%	100.00%	100.00%	-
WMT	TFN Media Co., Ltd. (TFNM)	Type II Telecommunications Business	100.00%	100.00%	100.00%	-
	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00%	100.00%	100.00%	-
	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00%	100.00%	100.00%	-
	Win TV Broadcasting Co., Ltd. (WTVB)	TV program provider	100.00%	100.00%	100.00%	-
TFN	momo.com Inc. (momo)	Wholesale and retail sales	45.01%	45.01%	45.01%	-
	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00%	100.00%	100.00%	Note 2
	TFN HK Ltd.	Telecommunication service provider	-	100.00%	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%	-

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			September 30, 2019	December 31, 2018	September 30, 2018	
TFNM	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV service provider	92.38%	92.38%	92.38%	-
GFMT	UCTV	Cable TV service provider	0.76%	0.76%	0.76%	-
GWMT	GCTV	Cable TV service provider	6.83%	6.83%	6.83%	-
momo	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	81.99%	81.99%	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%	-
Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.00%	100.00%	100.00%	-
Honest Development	Hongkong Yue Numerous Investment Co., Ltd. (HK Yue Numerous)	Investment	100.00%	100.00%	100.00%	-
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.00%	100.00%	100.00%	-
HK Yue Numerous	Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo)	Investment	100.00%	100.00%	100.00%	-
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	93.55%	93.55%	93.55%	-

(Concluded)

Note 1: Set up in September 2019.

Note 2: TCCI, TUI and TID collectively owned 698,752 thousand shares of TWM, representing 19.99% of total outstanding shares as of September 30, 2019.

Note 3: Liquidation procedures were completed in August 2019.

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

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

Leases

2019

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

a. The Group as lessor

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

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

Under finance leases, the lease payments comprise fixed payments and in-substance fixed payments. The net investment in a lease is measured at the present value of the sum of the lease payments receivable by a lessor and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

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

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

b. The Group as lessee

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

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

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

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

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

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

2018

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

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

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

Employee Benefits

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

Income Tax

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Lease Terms - 2019

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

6. CASH AND CASH EQUIVALENTS

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand and revolving funds	\$ 152,688	\$ 156,900	\$ 161,604
Cash in banks	7,955,311	3,603,620	3,064,389
Time deposits	2,167,192	1,588,020	1,157,439
Government bonds with repurchase rights	<u>2,748,097</u>	<u>2,150,170</u>	<u>1,551,577</u>
	<u>\$ 13,023,288</u>	<u>\$ 7,498,710</u>	<u>\$ 5,935,009</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Investments in equity instruments - current</u>			
Domestic investments			
Listed stocks	\$ 241,260	\$ 245,607	\$ 239,086
Foreign investments			
Unlisted stocks	<u>7,774</u>	<u>10,125</u>	<u>13,161</u>
	<u>\$ 249,034</u>	<u>\$ 255,732</u>	<u>\$ 252,247</u>
<u>Investments in equity instruments - non-current</u>			
Domestic investments			
Listed stocks	\$ 4,078,476	\$ 3,778,949	\$ 3,727,723
Unlisted stocks	177,585	181,178	170,953
Foreign investments			
Limited partnerships	500,880	775,385	892,616
Unlisted stocks	<u>30,042</u>	<u>28,387</u>	<u>27,876</u>
	<u>\$ 4,786,983</u>	<u>\$ 4,763,899</u>	<u>\$ 4,819,168</u>

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

8. NOTES AND ACCOUNTS RECEIVABLE, NET

	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable	\$ 103,797	\$ 175,658	\$ 58,420
Accounts receivable	7,853,328	7,820,249	8,086,374
Less: Allowance for impairment loss	<u>(371,925)</u>	<u>(464,049)</u>	<u>(475,280)</u>
	<u>\$ 7,585,200</u>	<u>\$ 7,531,858</u>	<u>\$ 7,669,514</u>

The main credit terms range from 30 to 90 days.

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

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

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

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

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

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

September 30, 2019

	Not Past Due	Overdue			Total
		1 to 120 days	121 to 365 days	Over 365 days	
Gross carrying amount	\$ 7,284,358	\$ 480,631	\$ 191,796	\$ 340	\$ 7,957,125
Loss allowance (Lifetime ECL)	<u>(54,860)</u>	<u>(135,900)</u>	<u>(180,825)</u>	<u>(340)</u>	<u>(371,925)</u>
Amortized cost	<u>\$ 7,229,498</u>	<u>\$ 344,731</u>	<u>\$ 10,971</u>	<u>\$ -</u>	<u>\$ 7,585,200</u>

December 31, 2018

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

September 30, 2018

	Not past due	Overdue			Total
		1 to 120 days	121 to 365 days	Over 365 days	
Gross carrying amount	\$ 7,401,381	\$ 448,708	\$ 294,417	\$ 288	\$ 8,144,794
Loss allowance (Lifetime ECL)	<u>(56,411)</u>	<u>(143,617)</u>	<u>(274,964)</u>	<u>(288)</u>	<u>(475,280)</u>
Amortized cost	<u>\$ 7,344,970</u>	<u>\$ 305,091</u>	<u>\$ 19,453</u>	<u>\$ -</u>	<u>\$ 7,669,514</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 Nine Months Ended September 30	
	2019	2018
Beginning balance	\$ 464,049	\$ 468,474
Add: Provision	195,016	315,336
Recovery	31,635	14,427
Less: Write-off	<u>(318,775)</u>	<u>(322,957)</u>
Ending balance	<u>\$ 371,925</u>	<u>\$ 475,280</u>

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

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

9. INVENTORIES

	September 30, 2019	December 31, 2018	September 30, 2018
Merchandise	\$ 4,699,744	\$ 3,936,724	\$ 3,259,651
Materials for maintenance	<u>7,133</u>	<u>8,939</u>	<u>12,890</u>
	<u>\$ 4,706,877</u>	<u>\$ 3,945,663</u>	<u>\$ 3,272,541</u>

For the three months and the nine months ended September 30, 2019, the cost of goods sold related to the inventories amounted to \$15,345,741 thousand and \$43,633,227 thousand, respectively, which included the inventory write-down totaling \$15,276 thousand and \$18,119 thousand, respectively.

For the three months and the nine months ended September 30, 2018, the cost of goods sold related to the inventories amounted to \$12,309,216 thousand and \$37,281,053 thousand, respectively, which included the inventory write-down totaling \$2,962 thousand and \$15,083 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	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
Global Home Shopping Co., Ltd. (GHS)	\$ 711,017	20.00	\$ 766,529	20.00	\$ 711,823	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	397,662	17.70	385,706	17.70	382,731	17.70
kbro Media Co., Ltd. (kbro Media)	141,419	32.50	154,847	32.50	169,586	32.50
TVD Shopping Co., Ltd. (TVD Shopping)	124,391	35.00	119,889	35.00	123,998	35.00
Alliance Digital Tech Co., Ltd. (ADT)	5,061	14.40	8,636	14.40	12,774	14.40
Mistake Entertainment Co., Ltd. (M.E.)	25,530	15.00	-	-	-	-
AppWorks Ventures Co., Ltd. (AppWorks)	<u>235,000</u>	51.00	<u>-</u>	-	<u>-</u>	-
	<u>\$ 1,640,080</u>		<u>\$ 1,435,607</u>		<u>\$ 1,400,912</u>	

a. GHS

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

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

b. TPE

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

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

c. TVD Shopping

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

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

d. ADT

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

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

ADT had resolved December 31, 2018 as the dissolution date. As of September 30, 2019, ADT was still under liquidation procedures.

e. M.E.

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

f. AppWorks

In September 2019, TWM acquired 51% equity interests of AppWorks. Payments for the investments in AppWorks were made on October 1, 2019. TWM has no control over AppWorks due to its holding less than half number of seats on AppWorks's board of directors. Therefore, TWM only has significant influence on AppWorks and accounts for its investments in AppWorks as an associate of TWM, under the equity-method of accounting.

11. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

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

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:

	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 9,766,431	\$ 6,168,249	\$ 4,576,887
Non-current assets	14,650,617	13,531,769	13,539,750
Current liabilities	(9,915,146)	(5,772,994)	(4,610,340)
Non-current liabilities	<u>(1,109,929)</u>	<u>(281,454)</u>	<u>(275,807)</u>
Equity	<u>\$ 13,391,973</u>	<u>\$ 13,645,570</u>	<u>\$ 13,230,490</u>
Equity attributable to:			
Owners of the parent	\$ 9,204,978	\$ 9,318,968	\$ 9,131,798
Non-controlling interests of momo	4,165,765	4,305,001	4,076,376
Non-controlling interests of momo's subsidiaries	<u>21,230</u>	<u>21,601</u>	<u>22,316</u>
	<u>\$ 13,391,973</u>	<u>\$ 13,645,570</u>	<u>\$ 13,230,490</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Operating revenues	\$ <u>12,371,510</u>	\$ <u>9,811,117</u>	\$ <u>35,922,568</u>	\$ <u>29,625,278</u>
Profit	\$ 267,015	\$ 310,595	\$ 974,513	\$ 1,036,953
Other comprehensive income (loss)	<u>(23,113)</u>	<u>(29,954)</u>	<u>2,891</u>	<u>(43,965)</u>
Comprehensive income	\$ <u>243,902</u>	\$ <u>280,641</u>	\$ <u>977,404</u>	\$ <u>992,988</u>
Profit (loss) attributable to:				
Owners of the parent	\$ 120,270	\$ 140,373	\$ 438,768	\$ 468,674
Non-controlling interests of momo	146,908	171,464	535,949	572,479
Non-controlling interests of momo's subsidiaries	<u>(163)</u>	<u>(1,242)</u>	<u>(204)</u>	<u>(4,200)</u>
	\$ <u>267,015</u>	\$ <u>310,595</u>	\$ <u>974,513</u>	\$ <u>1,036,953</u>
Comprehensive income (loss) attributable to:				
Owners of the parent	\$ 110,032	\$ 126,771	\$ 440,184	\$ 448,814
Non-controlling interests of momo	134,403	154,852	537,679	548,221
Non-controlling interests of momo's subsidiaries	<u>(533)</u>	<u>(982)</u>	<u>(459)</u>	<u>(4,047)</u>
	\$ <u>243,902</u>	\$ <u>280,641</u>	\$ <u>977,404</u>	\$ <u>992,988</u>
			For the Nine Months Ended September 30	
			2019	2018
Net cash generated from operating activities			\$ 4,728,601	\$ 890,682
Net cash used in investing activities			(195,105)	(630,503)
Net cash used in financing activities			(1,468,158)	(1,123,422)
Effect of exchange rate changes			<u>(889)</u>	<u>(541)</u>
Net increase (decrease) in cash			\$ <u>3,064,449</u>	\$ <u>(863,784)</u>
Dividends paid to non-controlling interests			\$ <u>(693,102)</u>	\$ <u>(616,090)</u>

12. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In August 2018, momo and its subsidiaries increased the capital of Asian Crown (BVI) to invest in FGE. Due to non-proportional investment in capital increase (Tong-An Investment Co., Ltd. participated in the capital increase), momo's ownership percentage in Asian Crown (BVI) increased from 76.26% to 81.99%, and HK Fubon Multimedia's ownership percentage in FGE increased from 91.30% to 93.55%. The above transactions did not result in losing control of FGE, and were therefore considered as equity transactions.

Proceeds from capital injection	\$ 2,316
Increase in non-controlling interests due to equity transaction involving subsidiaries	<u>(12,663)</u>
Capital surplus - changes in percentage of equity in subsidiaries	\$ <u>(10,347)</u>

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Telecommuni- cations Equipment and Machinery	Others	Construction in Progress and Equipment to Be Inspected	Total
<u>Cost</u>						
Balance, January 1, 2019	\$ 8,289,085	\$ 5,672,957	\$ 87,623,044	\$ 9,346,834	\$ 1,349,217	\$ 112,281,137
Additions	-	1,116	589,048	205,739	4,227,514	5,023,417
Reclassification	3,593	3,891	3,967,978	99,689	(4,083,218)	(8,067)
Disposals and retirements	(18,112)	(22,599)	(1,068,008)	(238,361)	(38)	(1,347,118)
Effect of exchange rate changes	-	-	(1,915)	(125)	-	(2,040)
Balance, September 30, 2019	<u>\$ 8,274,566</u>	<u>\$ 5,655,365</u>	<u>\$ 91,110,147</u>	<u>\$ 9,413,776</u>	<u>\$ 1,493,475</u>	<u>\$ 115,947,329</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2019	\$ 1,662	\$ 1,499,982	\$ 64,521,396	\$ 7,402,137	\$ -	\$ 73,425,177
Depreciation	-	121,102	5,900,643	766,301	-	6,788,046
Reclassification	-	1,570	-	-	-	1,570
Disposals and retirements	-	(8,238)	(1,010,993)	(236,436)	-	(1,255,667)
Effect of exchange rate changes	-	-	(1,768)	(105)	-	(1,873)
Balance, September 30, 2019	<u>\$ 1,662</u>	<u>\$ 1,614,416</u>	<u>\$ 69,409,278</u>	<u>\$ 7,931,897</u>	<u>\$ -</u>	<u>\$ 78,957,253</u>
Carrying amount, January 1, 2019	<u>\$ 8,287,423</u>	<u>\$ 4,172,975</u>	<u>\$ 23,101,648</u>	<u>\$ 1,944,697</u>	<u>\$ 1,349,217</u>	<u>\$ 38,855,960</u>
Carrying amount, September 30, 2019	<u>\$ 8,272,904</u>	<u>\$ 4,040,949</u>	<u>\$ 21,700,869</u>	<u>\$ 1,481,879</u>	<u>\$ 1,493,475</u>	<u>\$ 36,990,076</u>
<u>Cost</u>						
Balance, January 1, 2018	\$ 8,250,857	\$ 5,552,706	\$ 84,505,063	\$ 8,924,688	\$ 1,766,195	\$ 108,999,509
Additions	-	12,098	223,384	370,868	4,769,563	5,375,913
Reclassification	(35,303)	62,828	4,530,434	339,347	(4,952,728)	(55,422)
Disposals and retirements	(2,784)	(1,164)	(2,737,163)	(338,046)	(1,030)	(3,080,187)
Effect of exchange rate changes	-	-	(2,004)	(131)	-	(2,135)
Balance, September 30, 2018	<u>\$ 8,212,770</u>	<u>\$ 5,626,468</u>	<u>\$ 86,519,714</u>	<u>\$ 9,296,726</u>	<u>\$ 1,582,000</u>	<u>\$ 111,237,678</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2018	\$ 83,426	\$ 1,369,660	\$ 59,427,788	\$ 6,515,214	\$ -	\$ 67,396,088
Depreciation	-	118,162	6,357,639	985,743	-	7,461,544
Reversal of impairment loss	(81,764)	(21,822)	-	-	-	(103,586)
Reclassification	-	(5,568)	(1,061)	-	-	(6,629)
Disposals and retirements	-	(439)	(2,655,874)	(329,334)	-	(2,985,647)
Effect of exchange rate changes	-	-	(1,723)	(94)	-	(1,817)
Balance, September 30, 2018	<u>\$ 1,662</u>	<u>\$ 1,459,993</u>	<u>\$ 63,126,769</u>	<u>\$ 7,171,529</u>	<u>\$ -</u>	<u>\$ 71,759,953</u>
Carrying amount, September 30, 2018	<u>\$ 8,211,108</u>	<u>\$ 4,166,475</u>	<u>\$ 23,392,945</u>	<u>\$ 2,125,197</u>	<u>\$ 1,582,000</u>	<u>\$ 39,477,725</u>

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

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

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

14. LEASE ARRANGEMENTS

- a. Right-of-use assets - 2019

	September 30, 2019	
<u>Carrying amounts</u>		
Land	\$ 564,445	
Buildings	8,293,831	
Telecommunications equipment and machinery	953,746	
Others	<u>118,756</u>	
		<u>\$ 9,930,778</u>
	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Additions to right-of-use assets		<u>\$ 2,939,408</u>
Depreciation charge for right-of-use assets		
Land	\$ 58,608	\$ 174,609
Buildings	863,438	2,542,418
Telecommunications equipment and machinery	50,792	153,873
Others	<u>16,046</u>	<u>49,439</u>
	<u>\$ 988,884</u>	<u>\$ 2,920,339</u>

b. Lease liabilities - 2019

**September 30,
2019**

Carrying amounts

Current	<u>\$ 3,525,545</u>
Non-current	<u>\$ 6,373,530</u>

Range of discount rate for lease liabilities was as follows:

**September 30,
2019**

Land	0.82%-1%
Buildings	0.82%-5.44%
Telecommunications equipment and machinery	0.86%-4.38%
Others	0.82%-5.44%

c. Material lease-in activities and terms

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

d. Other lease information

Leases, with respect to the Group's investment properties, under operating lease arrangements are set out in Note 15.

2019

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Expenses related to short-term leases	<u>\$ 9,435</u>	<u>\$ 45,259</u>
Expenses related to low-value asset leases	<u>\$ 18,050</u>	<u>\$ 53,063</u>
Expenses related to variable lease payments and not included in the measurement of lease liabilities	<u>\$ 10,913</u>	<u>\$ 30,777</u>
Total cash outflow for leases		<u>\$ (3,038,773)</u>

The Group leases certain buildings, which qualify as short-term leases, and certain office equipment and other assets, which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and, thus, no recognition of right-of-use assets and lease liabilities was made for such leases.

As of September 30, 2019, the amount of lease commitments for short-term leases, for which the recognition exemption is applied, is \$29,455 thousand.

2018

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

	December 31, 2018	September 30, 2018
Less than one year	\$ 3,440,873	\$ 3,426,577
Between one and five years	5,876,088	6,007,801
More than five years	<u>41,277</u>	<u>67,377</u>
	<u>\$ 9,358,238</u>	<u>\$ 9,501,755</u>

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

The payments of leases and subleases were as follows:

	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018
Minimum lease payments	\$ 945,118	\$ 2,842,345
Receipts from subleases	<u>(1,805)</u>	<u>(6,694)</u>
	<u>\$ 943,313</u>	<u>\$ 2,835,651</u>

15. INVESTMENT PROPERTIES

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

The fair values of investment properties were measured by using Level 3 inputs, arising from income approach, comparative approach, and cost approach adopted by a third party real estate appraiser, HomeBan Appraisers Joint Firm. As of September 30, 2019, December 31, 2018 and September 30, 2018, the fair values of investment properties were \$6,976,270 thousand, \$6,979,581 thousand and \$6,804,478 thousand, respectively, and the capitalization rates for the aforementioned financial reporting periods were ranging from 1.32%-5.23%, 1.32%-5.23% and 0.94%-5.23%, respectively.

The amounts of depreciation recognized for the three months and the nine months ended September 30, 2019 and 2018 were \$5,068 thousand, \$4,999 thousand, \$15,210 thousand, and \$14,956 thousand, respectively.

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

	September 30, 2019
Year 1	\$ 153,332
Year 2	145,838
Year 3	133,358
Year 4	96,409
Year 5	27,987
Year 6 and thereafter	<u>55,975</u>
	<u>\$ 612,899</u>

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

	December 31, 2018	September 30, 2018
Less than one year	\$ 152,807	\$ 153,295
Between one and five years	502,272	524,190
More than five years	<u>79,298</u>	<u>83,962</u>
	<u>\$ 734,377</u>	<u>\$ 761,447</u>

16. INTANGIBLE ASSETS

	<u>Concessions</u>			<u>Other Intangible Assets</u>					Total
	Concession Licenses	Service Concessions	Goodwill	Computer Software	Customer Relationships	Operating Rights	Trademarks	Copyrights	
<u>Cost</u>									
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	-	-	-	138,031	-	-	18	8,567	146,616
Disposals and retirements	-	-	-	(138,990)	-	-	-	-	(138,990)
Reclassification	-	-	-	95,856	-	-	-	-	95,856
Effect of exchange rate changes	-	-	-	(317)	-	-	-	-	(317)
Balance, September 30, 2019	<u>\$ 41,043,375</u>	<u>\$ 8,180,078</u>	<u>\$ 15,872,595</u>	<u>\$ 4,002,210</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,884</u>	<u>\$ 23,789</u>	<u>\$ 75,676,020</u>
<u>Accumulated amortization and impairment</u>									
Balance, January 1, 2019	\$ 7,663,274	\$ 1,031,305	\$ -	\$ 3,176,937	\$ 1,510,663	\$ -	\$ 1,493	\$ 13,538	\$ 13,397,210
Amortization	1,980,490	134,040	-	356,102	102,300	-	112	9,448	2,582,492
Disposals and retirements	-	-	-	(138,990)	-	-	-	-	(138,990)
Effect of exchange rate changes	-	-	-	(252)	-	-	-	-	(252)
Balance, September 30, 2019	<u>\$ 9,643,764</u>	<u>\$ 1,165,345</u>	<u>\$ -</u>	<u>\$ 3,393,797</u>	<u>\$ 1,612,963</u>	<u>\$ -</u>	<u>\$ 1,605</u>	<u>\$ 22,986</u>	<u>\$ 15,840,460</u>
Carrying amount, January 1, 2019	<u>\$ 33,380,101</u>	<u>\$ 7,148,773</u>	<u>\$ 15,872,595</u>	<u>\$ 730,693</u>	<u>\$ 1,143,426</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,373</u>	<u>\$ 1,684</u>	<u>\$ 62,175,645</u>
Carrying amount, September 30, 2019	<u>\$ 31,399,611</u>	<u>\$ 7,014,733</u>	<u>\$ 15,872,595</u>	<u>\$ 608,413</u>	<u>\$ 1,041,126</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,279</u>	<u>\$ 803</u>	<u>\$ 59,835,560</u>
<u>Cost</u>									
Balance, January 1, 2018	\$ 51,324,375	\$ 8,180,078	\$ 15,845,930	\$ 3,529,068	\$ 2,654,089	\$ 1,382,000	\$ 2,517,866	\$ -	\$ 85,433,406
Addition	-	-	26,665	227,658	-	-	-	4,755	259,078
Disposals and retirements	(3,427,000)	-	-	(91,128)	-	-	-	-	(3,518,128)
Reclassification	-	-	-	156,265	-	-	-	5,400	161,665
Effect of exchange rate changes	-	-	-	(332)	-	-	-	-	(332)
Balance, September 30, 2018	<u>\$ 47,897,375</u>	<u>\$ 8,180,078</u>	<u>\$ 15,872,595</u>	<u>\$ 3,821,531</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,866</u>	<u>\$ 10,155</u>	<u>\$ 82,335,689</u>
<u>Accumulated amortization and impairment</u>									
Balance, January 1, 2018	\$ 14,981,287	\$ 852,586	\$ -	\$ 2,851,117	\$ 1,374,263	\$ -	\$ 1,333	\$ -	\$ 20,060,586
Amortization	2,125,254	134,040	-	365,640	102,300	-	121	4,955	2,732,310
Disposals and retirements	(3,302,382)	-	-	(87,744)	-	-	-	-	(3,390,126)
Effect of exchange rate changes	-	-	-	(224)	-	-	-	-	(224)
Balance, September 30, 2018	<u>\$ 13,804,159</u>	<u>\$ 986,626</u>	<u>\$ -</u>	<u>\$ 3,128,789</u>	<u>\$ 1,476,563</u>	<u>\$ -</u>	<u>\$ 1,454</u>	<u>\$ 4,955</u>	<u>\$ 19,402,546</u>
Carrying amount, September 30, 2018	<u>\$ 34,093,216</u>	<u>\$ 7,193,452</u>	<u>\$ 15,872,595</u>	<u>\$ 692,742</u>	<u>\$ 1,177,526</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,412</u>	<u>\$ 5,200</u>	<u>\$ 62,933,143</u>

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

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

a. Concession licenses

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

b. Service concessions

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

c. Customer relationships, operating rights, and trademarks

The Group measures the fair value of acquired assets when acquisitions occur, and identifies the fair value and amortization periods of the intangible assets which conform to materiality and related standards. Although some of the intangible assets such as operating rights and trademarks have 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:

	September 30, 2019	December 31, 2018	September 30, 2018
Telecommunications service	\$ 7,238,758	\$ 7,238,758	\$ 7,238,758
Fixed network service	357,970	357,970	357,970
Cable television business	3,269,636	3,269,636	3,269,636
Retail business	<u>5,006,231</u>	<u>5,006,231</u>	<u>5,006,231</u>
	<u>\$ 15,872,595</u>	<u>\$ 15,872,595</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, 2018 for the related information on impairment of assets. There was no significant evidence indicating impairment of intangible assets as of September 30, 2019.

17. OTHER NON-CURRENT ASSETS

	September 30, 2019	December 31, 2018	September 30, 2018
Long-term accounts receivable	\$ 293,960	\$ 101,740	\$ 75,094
Refundable deposits	627,818	634,512	629,297
Prepayments for investment	100,000	-	-
Prepayments for equipment	139,599	29,256	186,065
Others	<u>511,429</u>	<u>509,687</u>	<u>511,458</u>
	<u>\$ 1,672,806</u>	<u>\$ 1,275,195</u>	<u>\$ 1,401,914</u>

18. BORROWINGS

a. Short-term borrowings

	September 30, 2019	December 31, 2018	September 30, 2018
Unsecured loans	<u>\$ 15,670,000</u>	<u>\$ 10,270,000</u>	<u>\$ 5,390,773</u>
Annual interest rate	0.65%-0.95%	0.7%-0.96%	0.7%-5.44%

For the information on endorsements and guarantees, see Note 32(b).

b. Short-term notes and bills payable

	September 30, 2019	December 31, 2018	September 30, 2018
Short-term notes and bills payable	\$ 1,200,000	\$ 1,500,000	\$ 2,400,000
Less: Discount on short-term notes and bills payable	<u> -</u>	<u> (1,008)</u>	<u> (1,316)</u>
	<u>\$ 1,200,000</u>	<u>\$ 1,498,992</u>	<u>\$ 2,398,684</u>
Annual interest rate	0.678%	0.788%-0.798%	0.638%-0.658%

c. Long-term borrowings

	September 30, 2019	December 31, 2018	September 30, 2018
Unsecured loans	\$ 6,000,000	\$ 8,000,000	\$ 11,000,000
Secured loans	2,940,209	3,192,674	3,243,499
Less: Current portion	<u> (303,285)</u>	<u> (2,303,236)</u>	<u> (5,303,225)</u>
	<u>\$ 8,636,924</u>	<u>\$ 8,889,438</u>	<u>\$ 8,940,274</u>
Annual interest rate:			
Unsecured loans	0.72%-0.79%	0.75%-1.07%	0.72%-1.22%
Secured loans	2.0337%	2.0337%	2.0337%

1) Unsecured loans

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

2) Secured loans

TNH entered into a syndicated loan agreement, with respect to the investment under the aforementioned BOT contract. The credit agreement originally signed in 2010 has been early terminated. TNH signed another credit agreement with Bank of Taiwan for a \$3,400,000 thousand credit amount and a \$65,000 thousand guarantee amount on September 5, 2017. The agreement started from the date of the first drawdown of the loan and would last for 7 years with interest payments made on a monthly basis. In accordance with the loan agreement, the regular financial covenants, e.g. current ratio, equity ratio, and interest protection multiples, must be complied with during the credit facility period. For property under the BOT contract and its superficies that have been pledged as collateral, see Note 31 for details.

19. BONDS PAYABLE

	September 30, 2019	December 31, 2018	September 30, 2018
3rd domestic unsecured straight corporate bonds	\$ 4,499,942	\$ 4,499,680	\$ 8,999,525
5th domestic unsecured straight corporate bonds	14,988,270	14,986,357	14,985,712
3rd domestic unsecured convertible bonds	2,226,077	9,432,780	9,714,396
Less: Current portion	<u>(4,499,942)</u>	<u>(4,499,680)</u>	<u>(4,499,932)</u>
	<u>\$ 17,214,347</u>	<u>\$ 24,419,137</u>	<u>\$ 29,199,701</u>

a. 3rd domestic unsecured straight corporate bonds

On December 20, 2012, TWM issued \$9,000,000 thousand of the 3rd seven-year domestic unsecured bonds; each bond had a face value of \$10,000 thousand and a coupon rate of 1.34% per annum, with simple interest due annually. Repayment will be made in the sixth and seventh years in equal installments, i.e., \$4,500,000 thousand. As of September 30, 2019, the amount of unamortized bond issue cost was \$58 thousand. The trustee of bond holders is Hua Nan Commercial Bank.

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

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

b. 4th domestic unsecured straight corporate bonds

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

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

c. 5th domestic unsecured straight corporate bonds

On April 20, 2018, TWM issued the 5th domestic unsecured straight corporate bonds. The bonds included five-year and seven-year bonds, with the principal amount of \$6,000,000 thousand and \$9,000,000 thousand, each having a face value of \$10,000 thousand, and coupon rates of 0.848% and 1% per annum, respectively, with simple interest due annually. Repayment will be made in full at maturity. As of September 30, 2019, the amount of unamortized bond issue cost was \$11,730 thousand. The trustee of bond holders is Bank of Taiwan.

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

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

d. 3rd domestic unsecured convertible bonds

On November 22, 2016, TWM issued its 3rd domestic five-year unsecured zero-coupon convertible bonds with an aggregate principal amount of \$10,000,000 thousand and a par value of \$100 thousand per bond certificate. The conversion price was set initially at \$116.1 per share. The conversion price should be adjusted according to the prescribed formula and has been adjusted to \$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 September 30, 2019, the amount of unamortized bond discount was \$44,123 thousand.

Proceeds of the issuance (minus transaction costs \$10,870 thousand)	\$ 9,989,130
Equity component	(400,564)
Financial liabilities	<u>(35,961)</u>
Liability component at the date of issuance	9,552,605
Interest charged at an effective interest rate	163,734
Convertible bonds converted into common stock	<u>(1,943)</u>
Liability component on September 30, 2018	<u>\$ 9,714,396</u>
Liability component on January 1, 2019	\$ 9,432,780
Interest charged at an effective interest rate	44,299
Convertible bonds converted into common stock	<u>(7,251,002)</u>
Liability component on September 30, 2019	<u>\$ 2,226,077</u>

As of September 30, 2019, December 31, 2018 and September 30, 2018, the bondholders had requested to convert the bonds at face values of \$7,729,800 thousand, \$314,200 thousand and \$2,000 thousand, respectively.

20. PROVISIONS

	September 30, 2019	December 31, 2018	September 30, 2018
Restoration	\$ 1,187,488	\$ 1,184,823	\$ 1,187,282
Decommissioning	310,225	268,536	254,745
Warranties	<u>53,176</u>	<u>67,929</u>	<u>74,958</u>
	<u>\$ 1,550,889</u>	<u>\$ 1,521,288</u>	<u>\$ 1,516,985</u>
Current	\$ 102,327	\$ 120,334	\$ 127,198
Non-current	<u>1,448,562</u>	<u>1,400,954</u>	<u>1,389,787</u>
	<u>\$ 1,550,889</u>	<u>\$ 1,521,288</u>	<u>\$ 1,516,985</u>

	Restoration	Decom- missioning	Warranties	Total
Balance, January 1, 2019	\$ 1,184,823	\$ 268,536	\$ 67,929	\$ 1,521,288
Provision	38,309	37,675	54,918	130,902
Payment/Reversal	(38,810)	(1,714)	(69,671)	(110,195)
Unwinding of discount	<u>3,166</u>	<u>5,728</u>	<u>-</u>	<u>8,894</u>
Balance, September 30, 2019	<u>\$ 1,187,488</u>	<u>\$ 310,225</u>	<u>\$ 53,176</u>	<u>\$ 1,550,889</u>
Balance, January 1, 2018	\$ 1,208,093	\$ 213,372	\$ 128,412	\$ 1,549,877
Provision	42,028	36,720	71,821	150,569
Payment/Reversal	(66,934)	-	(125,275)	(192,209)
Unwinding of discount	<u>4,095</u>	<u>4,653</u>	<u>-</u>	<u>8,748</u>
Balance, September 30, 2018	<u>\$ 1,187,282</u>	<u>\$ 254,745</u>	<u>\$ 74,958</u>	<u>\$ 1,516,985</u>

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Domestic firms of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed and defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The employees of the Group's subsidiaries in other countries are participants of state-managed retirement benefit plans operated by local governments. In accordance with the above provisions, the Group's contributions to the pension plans amounted to \$77,791 thousand and \$76,422 thousand for the three months ended September 30, 2019 and 2018, respectively, and \$232,076 thousand and \$228,845 thousand for the nine months ended September 30, 2019 and 2018, respectively.

b. Defined benefit plan

The Group recognized pension amounts of \$1,967 thousand and \$1,996 thousand for the three months ended September 30, 2019 and 2018, respectively, and \$5,904 thousand and \$5,988 thousand for the nine months ended September 30, 2019 and 2018, respectively, by using the actuarially determined pension cost rate.

22. EQUITY

a. Common stock

As of September 30, 2019, December 31, 2018, and September 30, 2018, TWM's authorized capital was \$60,000,000 thousand and capital issued and outstanding were \$34,679,531 thousand, \$34,208,519 thousand and \$34,208,328 thousand, respectively, divided into 3,467,953 thousand shares, 3,420,852 thousand shares and 3,420,833 thousand shares, respectively, which were all common stocks, at a par value of \$10 each.

As of September 30, 2019, December 31, 2018, and September 30, 2018, the bondholders of the 3rd domestic unsecured convertible bonds had requested to convert the bonds into 75,111 thousand, 3,001 thousand and 19 thousand common stocks, respectively. TWM recognized 27,991 thousand, 2,982 thousand and 19 thousand of common stocks, respectively, as capital collected in advance, totaling \$279,910 thousand, \$29,819 thousand and \$191 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

	September 30, 2019	December 31, 2018	September 30, 2018
Additional paid-in capital from convertible corporate bonds	\$ 13,190,698	\$ 6,363,714	\$ 6,077,348
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	90,936	387,979	400,484
Changes in equity of associates accounted for using equity method	48,147	48,147	42,164
Others	<u>33,968</u>	<u>33,968</u>	<u>32,952</u>
	<u>\$ 19,110,633</u>	<u>\$ 12,580,692</u>	<u>\$ 12,299,832</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 2018 and 2017 which have been resolved in the AGM on June 12, 2019 and June 12, 2018, respectively, were as follows:

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

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

d. Other equity interests

	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Total
Balance, January 1, 2019	\$ (24,398)	\$ (70,983)	\$ -	\$ (95,381)
Exchange differences on translation	(6,883)	-	-	(6,883)
Changes in fair value of financial assets at FVTOCI	-	14,078	-	14,078
Changes in other comprehensive income (loss) of associates accounted for using equity method	1,881	4,910	-	6,791
Income tax effect	<u>-</u>	<u>55,229</u>	<u>-</u>	<u>55,229</u>
Balance, September 30, 2019	<u>\$ (29,400)</u>	<u>\$ 3,234</u>	<u>\$ -</u>	<u>\$ (26,166)</u>
Balance, January 1, 2018	\$ (16,499)	\$ -	\$(346,204)	\$(362,703)
Effect of retrospective application	<u>-</u>	<u>(281,785)</u>	<u>346,204</u>	<u>64,419</u>
Adjusted balance, January 1, 2018	(16,499)	(281,785)	-	(298,284)
Exchange differences on translation	(8,416)	-	-	(8,416)
Changes in fair value of financial assets at FVTOCI	-	271,627	-	271,627
Changes in other comprehensive income (loss) of associates accounted for using equity method	(664)	(7,970)	-	(8,634)
Income tax effect	<u>-</u>	<u>(20,893)</u>	<u>-</u>	<u>(20,893)</u>
Balance, September 30, 2018	<u>\$ (25,579)</u>	<u>\$ (39,021)</u>	<u>\$ -</u>	<u>\$ (64,600)</u>

e. Treasury stock

As of September 30, 2019, December 31, 2018 and September 30, 2018, TWM's stocks held for the investment purposes by TCCI, TUI and TID, which are all wholly-owned by TWM, were 698,752 thousand shares in total, and the market values were \$78,260,179 thousand, \$74,417,046 thousand and \$76,513,300 thousand, respectively. Since TWM's stocks held by its subsidiaries are regarded as treasury stock, TWM recognized \$29,717,344 thousand as treasury stock. For those treasury stock holders, they have the same rights as the other shareholders, except that they are not allowed to subscribe new shares issued by TWM for cash and exercise the voting rights over such treasury stock.

f. Non-controlling interests

	For the Nine Months Ended September 30	
	2019	2018
Beginning balance	\$ 6,112,176	\$ 5,879,738
Effect of retrospective application	<u>16,275</u>	<u>(39)</u>
Adjusted beginning balance	6,128,451	5,879,699
Portion attributable to non-controlling interests		
Profit	568,461	606,725
Exchange differences on translation	(6,841)	(7,964)
Unrealized gain (loss) on financial asset at FVTOCI	2,308	(11,587)
Share of other comprehensive income (loss) of associates accounted for using equity method	6,008	(4,694)
Changes in equity of associates accounted for using equity method	-	2,409
Remeasurements of defined benefit plans	-	146
Changes in ownership interests in subsidiaries	-	12,663
Cash dividends paid to non-controlling interests of subsidiaries	(693,361)	(616,452)
Increase in non-controlling interest	<u>-</u>	<u>10,295</u>
Ending balance	<u>\$ 6,005,026</u>	<u>\$ 5,871,240</u>

23. OPERATING REVENUES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Revenue from contracts with customers				
Telecommunications and value-added services	\$ 11,988,429	\$ 12,878,147	\$ 36,399,014	\$ 40,613,970
Sales revenue	17,005,817	13,598,615	48,393,382	40,995,699
Cable TV and broadband services	1,485,483	1,547,668	4,498,930	4,654,480
Other operating revenues	<u>346,186</u>	<u>295,543</u>	<u>1,021,813</u>	<u>902,251</u>
	<u>\$ 30,825,915</u>	<u>\$ 28,319,973</u>	<u>\$ 90,313,139</u>	<u>\$ 87,166,400</u>

a. Contract information

Please refer to Note 36 and to Note 4 to the consolidated financial statements for the year ended December 31, 2018.

b. Contract balances

	September 30, 2019	December 31, 2018	September 30, 2018
Contract assets			
Bundle sales	\$ 8,490,267	\$ 8,755,126	\$ 8,954,737
Less: Allowance for impairment loss	<u>(72,068)</u>	<u>(74,250)</u>	<u>(75,919)</u>
	<u>\$ 8,418,199</u>	<u>\$ 8,680,876</u>	<u>\$ 8,878,818</u>
Current	\$ 4,911,308	\$ 5,472,357	\$ 5,645,634
Non-current	<u>3,506,891</u>	<u>3,208,519</u>	<u>3,233,184</u>
	<u>\$ 8,418,199</u>	<u>\$ 8,680,876</u>	<u>\$ 8,878,818</u>

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

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

	September 30, 2019	December 31, 2018	September 30, 2018
Contract liabilities			
Telecommunications and value-added services	\$ 1,040,291	\$ 1,235,446	\$ 1,188,558
Sales of goods	24,344	141,343	99,818
Cable TV and broadband services	695,596	694,228	729,762
Others	<u>13,926</u>	<u>15,920</u>	<u>23,847</u>
	<u>\$ 1,774,157</u>	<u>\$ 2,086,937</u>	<u>\$ 2,041,985</u>
Current	\$ 1,726,286	\$ 2,030,793	\$ 1,982,337
Non-current	<u>47,871</u>	<u>56,144</u>	<u>59,648</u>
	<u>\$ 1,774,157</u>	<u>\$ 2,086,937</u>	<u>\$ 2,041,985</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

	September 30, 2019	December 31, 2018	September 30, 2018
Incremental costs of obtaining a contract - non-current	<u>\$ 2,243,280</u>	<u>\$ 2,946,282</u>	<u>\$ 3,266,998</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 September 30, 2019 and 2018 were \$593,316 thousand and \$809,496 thousand, respectively, and for the nine months ended September 30, 2019 and 2018 were \$1,950,516 thousand and \$2,635,125 thousand, respectively.

24. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Interest income	\$ 16,826	\$ 12,901	\$ 51,096	\$ 46,610
Dividend income	110,773	78,083	117,211	83,164
Other income	<u>19,387</u>	<u>21,146</u>	<u>56,021</u>	<u>59,450</u>
	<u>\$ 146,986</u>	<u>\$ 112,130</u>	<u>\$ 224,328</u>	<u>\$ 189,224</u>

b. Other gains and losses, net

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Loss on disposal of property, plant and equipment, net	\$ (16,768)	\$ (25,116)	\$ (54,305)	\$ (56,815)
Loss on disposal of intangible assets, net	-	(3,384)	-	(128,002)
Valuation gain (loss) on financial assets at FVTPL	(580)	538	3,390	(21,915)
Valuation gain on financial liabilities at FVTPL	-	3,000	1,819	8,000
Reversal of impairment loss on property, plant and equipment	-	-	-	103,586
Gain (loss) on foreign exchange	(10,094)	(9,664)	(14,546)	2,999
Others	<u>(733)</u>	<u>(2,497)</u>	<u>(2,471)</u>	<u>(5,494)</u>
	<u>\$ (28,175)</u>	<u>\$ (37,123)</u>	<u>\$ (66,113)</u>	<u>\$ (97,641)</u>

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Interest expense				
Bank loans	\$ 52,094	\$ 55,914	\$ 135,795	\$ 186,166
Corporate bonds	58,803	89,122	196,773	232,980
Lease liabilities	24,600	-	73,408	-
Others	<u>7,741</u>	<u>9,124</u>	<u>31,368</u>	<u>38,653</u>
	143,238	154,160	437,344	457,799
Less: Capitalized interest	<u>(1,318)</u>	<u>(1,473)</u>	<u>(3,706)</u>	<u>(4,701)</u>
	<u>\$ 141,920</u>	<u>\$ 152,687</u>	<u>\$ 433,638</u>	<u>\$ 453,098</u>
Capitalization rates	1.34%	1.34%	1.34%	1.34%

25. INCOME TAX

a. Income tax recognized in profit or loss

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Current income tax expense				
Current period	\$ 812,556	\$ 652,894	\$ 2,347,933	\$ 2,312,996
Prior years' adjustment	1,959	-	49,670	(85,060)
Others	-	(10,198)	(17,079)	(42,451)
	<u>814,515</u>	<u>642,696</u>	<u>2,380,524</u>	<u>2,185,485</u>
Deferred income tax expense				
Temporary differences	26,223	38,100	87,161	180,499
Changes in tax rates	-	-	-	1,962
	<u>26,223</u>	<u>38,100</u>	<u>87,161</u>	<u>182,461</u>
Income tax expense	<u>\$ 840,738</u>	<u>\$ 680,796</u>	<u>\$ 2,467,685</u>	<u>\$ 2,367,946</u>

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

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Deferred income tax expense (income)				
Unrealized (gain) loss on financial assets at FVTOCI	\$ (2,470)	\$ 2,087	\$ (55,229)	\$ 20,893
Changes in tax rates - Remeasurements of defined benefit plans	-	-	-	(18,302)
Income tax expense (income)	<u>\$ (2,470)</u>	<u>\$ 2,087</u>	<u>\$ (55,229)</u>	<u>\$ 2,591</u>

c. Income tax examinations

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

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

26. EARNINGS PER SHARE

	For the Three Months Ended September 30, 2019		
	Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of the parent	\$ 3,253,393	2,786,849	<u>\$ 1.17</u>
Effect of potential dilutive common stock:			
Employees' compensation	-	2,683	
Convertible bonds	<u>7,460</u>	<u>33,068</u>	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 3,260,853</u>	<u>2,822,600</u>	<u>\$ 1.15</u>

For the Three Months Ended September 30, 2018			
	Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of the parent	\$ 3,273,365	2,722,081	<u>\$ 1.21</u>
Effect of potential dilutive common stock:			
Employees' compensation	-	3,058	
Convertible bonds	<u>19,381</u>	<u>95,511</u>	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 3,292,746</u>	<u>2,820,650</u>	<u>\$ 1.16</u>
For the Nine Months Ended September 30, 2019			
	Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of the parent	\$ 9,530,067	2,754,546	<u>\$ 3.46</u>
Effect of potential dilutive common stock:			
Employees' compensation	-	3,144	
Convertible bonds	<u>42,480</u>	<u>65,371</u>	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 9,572,547</u>	<u>2,823,061</u>	<u>\$ 3.39</u>
For the Nine Months Ended September 30, 2018			
	Amount After Income Tax	Weighted- average Number of Common Stock	EPS
Basic EPS			
Profit attributable to owners of the parent	\$ 10,551,603	2,722,081	<u>\$ 3.88</u>
Effect of potential dilutive common stock:			
Employees' compensation	-	3,520	
Convertible bonds	<u>58,263</u>	<u>95,511</u>	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 10,609,866</u>	<u>2,821,112</u>	<u>\$ 3.76</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.

27. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities:

For the Nine Months Ended September 30, 2019

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Lease liabilities (including current and non-current portions)	\$ 9,980,846	\$ (2,897,338)	\$ 2,924,220	\$ (108,653)	\$ 9,899,075

28. CAPITAL MANAGEMENT

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

29. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Financial assets</u>			
Financial assets at FVTPL (including current and non-current portions)	\$ 2,500	\$ 81,474	\$ 87,365
Financial assets at FVTOCI (including current and non-current portions)	5,036,017	5,019,631	5,071,415
Financial assets measured at amortized cost (including current and non-current portions) (Note 1)	<u>24,646,538</u>	<u>18,678,535</u>	<u>16,770,449</u>
Total	<u>\$ 29,685,055</u>	<u>\$ 23,779,640</u>	<u>\$ 21,929,229</u>

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost (including current and non-current portions) (Note 2)	\$ 69,833,028	\$ 69,992,701	\$ 73,080,403
Financial liabilities at FVTPL	<u>-</u>	<u>1,861</u>	<u>1,960</u>
Total	<u>\$ 69,833,028</u>	<u>\$ 69,994,562</u>	<u>\$ 73,082,363</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>September 30, 2019</u>		<u>December 31, 2018</u>		<u>September 30, 2018</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>						
Bonds payable (including current portion)	\$ 21,714,289	\$ 22,082,667	\$ 28,918,817	\$ 29,495,234	\$ 33,699,633	\$ 34,516,174

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).

September 30, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Equity instruments				
Limited partnerships	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 2,500</u>	\$ <u> 2,500</u>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 4,319,736	\$ -	\$ -	\$ 4,319,736
Domestic unlisted stocks	-	-	177,585	177,585
Limited partnerships	-	-	500,880	500,880
Foreign unlisted stocks	<u> -</u>	<u> 7,774</u>	<u> 30,042</u>	<u> 37,816</u>
	<u>\$ 4,319,736</u>	<u>\$ 7,774</u>	<u>\$ 708,507</u>	<u>\$ 5,036,017</u>
Financial liabilities at <u>FVTPL</u>	<u>\$ <u> -</u></u>	<u>\$ <u> -</u></u>	<u>\$ <u> -</u></u>	<u>\$ <u> -</u></u>

December 31, 2018

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

September 30, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Beneficiary certificates	\$ <u>87,365</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>87,365</u>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 3,966,809	\$ -	\$ -	\$ 3,966,809
Domestic unlisted stocks	-	-	170,953	170,953
Limited partnerships	-	-	892,616	892,616
Foreign unlisted stocks	<u>-</u>	<u>13,161</u>	<u>27,876</u>	<u>41,037</u>
	<u>\$ 3,966,809</u>	<u>\$ 13,161</u>	<u>\$ 1,091,445</u>	<u>\$ 5,071,415</u>
<u>Financial liabilities at</u>				
<u>FVTPL</u>	<u>\$ -</u>	<u>\$ 1,960</u>	<u>\$ -</u>	<u>\$ 1,960</u>

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

Valuation techniques and assumptions used in fair value determination

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

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

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

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

i. Equity instruments

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

ii. Hybrid instruments

Convertible notes were redeemed at maturity in May 2018.

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

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

For the Nine Months Ended September 30, 2019

	Financial Assets at FVTPL - Equity Instruments	Financial Assets at FVTOCI - Equity Instruments
Balance at January 1, 2019	\$ -	\$ 984,950
Additions	2,500	-
Recognized in other comprehensive income (unrealized loss on financial assets at FVTOCI)	-	(276,443)
Balance at September 30, 2019	<u>\$ 2,500</u>	<u>\$ 708,507</u>

For the Nine Months Ended September 30, 2018

	Financial Assets at FVTPL - Convertible Notes	Financial Assets at FVTOCI - Equity Instruments
Balance at January 1, 2018	\$ 490,931	\$ 956,286
Recognized in profit or loss (gain on financial assets at FVTPL)	261	-
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	138,308
Redemption	(491,192)	-
Capital return	-	(3,149)
Balance at September 30, 2018	<u>\$ -</u>	<u>\$ 1,091,445</u>

c. Financial risk management

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

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

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

2) Risk management framework

a) Decision-making mechanism

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

b) Risk management policies

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

c) Monitoring mechanism

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

3) Credit risk

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

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

4) Liquidity risk

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

The Group manages and maintains sufficient level of capital to ensure the requirements of paying estimated operating expenditures, including financial obligations on each contract. The Group also monitors its bank credit facilities to ensure that the provisions of loan contracts are all complied with. As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group had unused bank facilities of \$52,491,122 thousand, \$58,376,758 thousand and \$60,732,991 thousand, respectively.

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

	Contractual Cash Flows	Within 1 Year	1-5 Years	More Than 5 Years
<u>September 30, 2019</u>				
Unsecured loans	\$ 21,764,588	\$ 15,734,763	\$ 6,029,825	\$ -
Secured loans	3,193,787	361,957	999,562	1,832,268
Short-term notes and bills payable	1,200,004	1,200,004	-	-
Bonds payable	22,574,020	4,701,180	8,782,840	9,090,000
Lease liabilities	<u>10,073,738</u>	<u>3,608,086</u>	<u>6,385,303</u>	<u>80,349</u>
	<u>\$ 58,806,137</u>	<u>\$ 25,605,990</u>	<u>\$ 22,197,530</u>	<u>\$ 11,002,617</u>
<u>December 31, 2018</u>				
Unsecured loans	\$ 18,370,540	\$ 12,336,530	\$ 6,034,010	\$ -
Secured loans	3,503,401	366,594	1,020,143	2,116,664
Short-term notes and bills payable	1,500,000	1,500,000	-	-
Bonds payable	<u>30,130,500</u>	<u>4,701,180</u>	<u>16,249,320</u>	<u>9,180,000</u>
	<u>\$ 53,504,441</u>	<u>\$ 18,904,304</u>	<u>\$ 23,303,473</u>	<u>\$ 11,296,664</u>
<u>September 30, 2018</u>				
Unsecured loans	\$ 16,506,412	\$ 10,460,685	\$ 6,045,727	\$ -
Secured loans	3,581,925	268,479	1,032,426	2,281,020
Short-term notes and bills payable	2,400,000	2,400,000	-	-
Bonds payable	<u>35,063,300</u>	<u>4,761,480</u>	<u>21,121,820</u>	<u>9,180,000</u>
	<u>\$ 57,551,637</u>	<u>\$ 17,890,644</u>	<u>\$ 28,199,973</u>	<u>\$ 11,461,020</u>

5) Market risk

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

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

a) Exchange rate risk

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

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

	September 30, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 28,133	4.356	\$ 122,549
USD	53,841	31.02	1,670,089
EUR	1,152	33.87	39,004
Non-monetary items			
RMB	163,227	4.356	711,017
USD	17,115	31.02	530,922
HKD	1,965	3.956	7,774
THB	121,892	1.021	124,391
<u>Foreign currency liabilities</u>			
Monetary items			
USD	20,075	31.02	622,697
EUR	185	33.87	6,279
HKD	9,809	3.956	38,805
JPY	39,580	0.288	11,389

	December 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 17,207	4.464	\$ 76,812
USD	37,052	30.79	1,140,858
EUR	609	35.05	21,323
Non-monetary items			
RMB	171,713	4.464	766,529
USD	26,105	30.79	803,772
HKD	2,576	3.93	10,125
THB	125,776	0.953	119,889
<u>Foreign currency liabilities</u>			
Monetary items			
USD	11,702	30.79	360,320
EUR	19	35.05	677

	September 30, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 15,587	4.447	\$ 69,316
USD	32,960	30.59	1,008,245
EUR	497	35.81	17,814
Non-monetary items			
RMB	160,068	4.447	711,823
USD	30,091	30.59	920,492
HKD	3,362	3.914	13,161
THB	130,731	0.949	123,998
<u>Foreign currency liabilities</u>			
Monetary items			
USD	13,660	30.59	417,860
EUR	1,001	35.81	35,836

Please refer to Note 24(b) for the information related to the Group's realized and unrealized foreign exchange gains (losses) for the three months and the nine months ended September 30, 2019 and 2018, 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 \$57,624 thousand and \$32,084 thousand for the nine months ended September 30, 2019 and 2018, respectively.

b) Interest rate risk

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

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

	September 30, 2019	December 31, 2018	September 30, 2018
Fair value interest rate risk			
Financial assets	\$ 5,565,428	\$ 4,290,492	\$ 3,111,565
Financial liabilities	45,657,287	33,285,029	37,783,922
Cash flow interest rate risk			
Financial assets	8,054,962	3,750,159	3,137,496
Financial liabilities	9,540,209	9,162,674	8,234,271

Sensitivity analysis

The following sensitivity analysis is based on the exposure to interest rate risk of derivative and non-derivative instruments at the end of the reporting period. For floating-rate assets and liabilities, the analysis assumes that the balances of outstanding assets and liabilities at the end of the reporting period have been outstanding for the whole period and that the changes in interest rates are reasonable. If the interest rate had increased by 50 basis points (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have decreased by \$5,570 thousand and \$19,113 thousand for the nine months ended September 30, 2019 and 2018, respectively.

c) Other market price risk

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

Sensitivity analysis

If the prices of equity instruments had decreased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), profit would have decreased by \$125 thousand and \$4,368 thousand since the fair value of financial assets at FVTPL decreased for the nine months ended September 30, 2019 and 2018, respectively, and other comprehensive income would have decreased by \$251,801 thousand and \$253,571 thousand since the fair value of financial assets at FVTOCI decreased for the nine months ended September 30, 2019 and 2018, respectively.

30. RELATED-PARTY TRANSACTIONS

- a. Parent company and ultimate controlling party

TWM is the ultimate controlling party of the Group.

- b. Related party name and nature of relationship

<u>Related Party</u>	<u>Nature of Relationship</u>
GHS	Associates
TPE	Associates
kbro Media	Associates
TVD Shopping	Associates
ADT	Associates
M.E.	Associates
AppWorks	Associates
Beijing Global JiuSha Media Technology Co., Ltd.	Associates (subsidiary of GHS)
Beijing Global Zhiquan Trading Co., Ltd.	Associates (subsidiary of GHS)
Beijing YueShih JiuSha Media Technology Co., Ltd.	Associates (subsidiary of GHS)
GHS Trading Ltd.	Associates (subsidiary of GHS)
Good Image Co., Ltd.	Associates (subsidiary of kbro Media)
Fubon Life Insurance Co., Ltd. (Fubon Life)	Other related parties
Fubon Insurance Co., Ltd. (Fubon Ins.)	Other related parties
Fubon Securities Investment Trust Co., Ltd. (FSIT)	Other related parties
Fubon Sports & Entertainment Co., Ltd.	Other related parties
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Other related parties
Fubon Financial Holding Co., Ltd.	Other related parties
Fubon Life Insurance (HK) Ltd.	Other related parties
Fubon Securities Co., Ltd.	Other related parties
Fubon Futures Co., Ltd.	Other related parties
Fubon Investment Services Co., Ltd.	Other related parties
Fubon Marketing Co., Ltd.	Other related parties
Fu-Sheng Life Insurance Agency Co., Ltd.	Other related parties
Fu-Sheng General Insurance Agency Co., Ltd.	Other related parties
Fubon Financial Venture Capital Co., Ltd.	Other related parties
Fubon Gymnasium Co., Ltd.	Other related parties
Fubon Asset Management Co., Ltd.	Other related parties
One Production Film Co., Ltd.	Other related parties
Fubon Bank (China) Co., Ltd.	Other related parties
Fubon Land Development Co., Ltd.	Other related parties
Fubon Property Management Co., Ltd.	Other related parties
Fubon Real Estate Management Co., Ltd.	Other related parties
Fubon Hospitality Management Co., Ltd.	Other related parties
Chung Hsing Constructions Co., Ltd.	Other related parties
Ming Dong Co., Ltd.	Other related parties
Fu Yi Health Management Co., Ltd.	Other related parties
Dao Ying Co., Ltd.	Other related parties
Fubon Xinji Investment Co., Ltd.	Other related parties
Mitchiller Media Co., Ltd.	Other related parties (not a related party since August 2019)
Far Eastern Memorial Hospital	Other related parties
Dai-Ka Ltd.	Other related parties

(Continued)

Related Party	Nature of Relationship
Chen Feng Investment Ltd.	Other related parties
Chen Yun Co., Ltd.	Other related parties
Taiwan Mobile Foundation (TMF)	Other related parties
Taipei New Horizon Foundation (TNHF)	Other related parties
Fubon Cultural & Educational Foundation	Other related parties
Fubon Charity Foundation	Other related parties
Fubon Art Foundation	Other related parties
Taipei Fubon Bank Charity Foundation	Other related parties
Taipei New Horizon Management Agency	Other related parties
Key management	Chairman, directors, general manager, managers, etc.

(Concluded)

c. Significant transactions with related parties

1) Operating revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Associates	\$ 15,183	\$ 15,073	\$ 60,232	\$ 53,425
Other related parties	<u>243,662</u>	<u>237,630</u>	<u>660,656</u>	<u>615,058</u>
	<u>\$ 258,845</u>	<u>\$ 252,703</u>	<u>\$ 720,888</u>	<u>\$ 668,483</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 September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Associates	\$ 191,478	\$ 98,357	\$ 381,980	\$ 307,651
Other related parties	<u>86,450</u>	<u>193,452</u>	<u>295,937</u>	<u>671,177</u>
	<u>\$ 277,928</u>	<u>\$ 291,809</u>	<u>\$ 677,917</u>	<u>\$ 978,828</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	September 30, 2019	December 31, 2018	September 30, 2018
Accounts receivable	Associates	\$ 11,889	\$ 11,249	\$ 4,288
Accounts receivable	Other related parties	<u>143,983</u>	<u>126,709</u>	<u>124,494</u>
		<u>\$ 155,872</u>	<u>\$ 137,958</u>	<u>\$ 128,782</u>
Other receivables	Associates	\$ 109,435	\$ 113,187	\$ 93,308
Other receivables	Other related parties	<u>110,254</u>	<u>59,108</u>	<u>45,939</u>
		<u>\$ 219,689</u>	<u>\$ 172,295</u>	<u>\$ 139,247</u>

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

4) Payables due to related parties

Account	Related Party Categories	September 30, 2019	December 31, 2018	September 30, 2018
Accounts payable	Associates	\$ 111,406	\$ 91,266	\$ 83,211
Accounts payable	Other related parties	<u>68,720</u>	<u>88,322</u>	<u>75,233</u>
		<u>\$ 180,126</u>	<u>\$ 179,588</u>	<u>\$ 158,444</u>
Other payables	Other related parties	<u>\$ 17,249</u>	<u>\$ 60,216</u>	<u>\$ 63,136</u>

5) Prepayments

	September 30, 2019	December 31, 2018	September 30, 2018
Other related parties	<u>\$ 29,386</u>	<u>\$ 15,467</u>	<u>\$ 33,043</u>

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

	September 30, 2019	December 31, 2018	September 30, 2018
Other related parties			
TFCB	\$ 7,150,605	\$ 1,284,174	\$ 1,231,716
Others	<u>16,864</u>	<u>23,001</u>	<u>89,461</u>
	<u>\$ 7,167,469</u>	<u>\$ 1,307,175</u>	<u>\$ 1,321,177</u>

7) Cash equivalents

For the Nine Months Ended September 30, 2019

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

8) Financial assets at FVTPL - current

For the Three Months and the Nine Months Ended September 30, 2019

Related Party	Target	Purchase Price	Proceeds
FSIT	Fund	<u>\$ 100,000</u>	<u>\$ 84,864</u>

The cumulative losses were \$15,136 thousand, and the Group recognized \$3,390 thousand as gain for the three months and the nine months ended September 30, 2019.

For the Nine Months Ended September 30, 2018

Related Party	Target	Purchase Price	Proceeds
FSIT	Fund	<u>\$ 100,000</u>	<u>\$ 88,184</u>

The cumulative loss was \$11,816 thousand, and the Group recognized \$2,249 thousand as loss for the nine months ended September 30, 2018.

9) Equity purchase transaction

Related Party	Transaction Date	Target	Shares (In Thousands)	Unpaid Amounts
Jamie Lin, President of TWM	September 2019	AppWorks	387	<u>\$ 62,000</u>

10) Others

	September 30, 2019	December 31, 2018	September 30, 2018
Guarantee deposits			
Other related parties	<u>\$ 54,117</u>	<u>\$ 51,548</u>	<u>\$ 51,522</u>
Other current liabilities - receipts under custody			
Other related parties	<u>\$ 105,472</u>	<u>\$ 69,057</u>	<u>\$ 50,167</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Operating expenses				
Other related parties				
TMF	\$ 4,800	\$ 6,000	\$ 13,100	\$ 14,420
TNHF	-	-	5,000	5,000
Fubon Life	-	36,096	74	106,259
TFCB	65,293	57,073	193,508	193,914
Others	<u>33,307</u>	<u>34,058</u>	<u>120,859</u>	<u>130,117</u>
	<u>\$ 103,400</u>	<u>\$ 133,227</u>	<u>\$ 332,541</u>	<u>\$ 449,710</u>
Other income				
Other related parties	<u>\$ 15,308</u>	<u>\$ 1,213</u>	<u>\$ 15,308</u>	<u>\$ 1,213</u>

11) Lease arrangements

Acquisition of right-of-use assets

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Other related parties	<u>\$ 1,731</u>	<u>\$ 89,995</u>

Lease liabilities (including current and non-current portions)

	September 30, 2019
Other related parties	<u>\$ 692,274</u>

Sublease arrangements under finance leases

For the nine months ended September 30, 2019, the Group subleased right-of-use assets to other related parties under finance leases. As of September 30, 2019, the balance of finance lease receivables was \$256 thousand. For the three months and the nine months ended September 30, 2019, the Group recognized \$21 thousand and \$39 thousand, respectively, as income from the subleasing of right-of-use assets.

Interest expenses

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Associates	\$ 5	\$ 61
Other related parties	<u>1,549</u>	<u>4,784</u>
	<u>\$ 1,554</u>	<u>\$ 4,845</u>

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

d. Key management compensation

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Short-term employee benefits	\$ 59,426	\$ 63,664	\$ 202,036	\$ 221,235
Termination and post-employment benefits	<u>889</u>	<u>2,228</u>	<u>17,591</u>	<u>6,867</u>
	<u>\$ 60,315</u>	<u>\$ 65,892</u>	<u>\$ 219,627</u>	<u>\$ 228,102</u>

31. ASSETS PLEDGED

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

	September 30, 2019	December 31, 2018	September 30, 2018
Other current financial assets	\$ 168,863	\$ 160,033	\$ 143,352
Services concessions	7,014,733	7,148,773	7,193,452
Other non-current financial assets	<u>208,224</u>	<u>131,110</u>	<u>130,587</u>
	<u>\$ 7,391,820</u>	<u>\$ 7,439,916</u>	<u>\$ 7,467,391</u>

32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	September 30, 2019	December 31, 2018	September 30, 2018
Purchases of property, plant and equipment	<u>\$ 3,979,264</u>	<u>\$ 806,935</u>	<u>\$ 1,367,932</u>
Purchases of cellular phones	<u>\$ 3,749,548</u>	<u>\$ 1,872,470</u>	<u>\$ 4,201,656</u>

As of September 30, 2019, the amount of lease commitments commencing after the balance sheet date was \$389,000 thousand.

b. As of September 30, 2019, December 31, 2018 and September 30, 2018, the amounts of endorsements and guarantees provided to group entities were \$21,550,000 thousand, \$21,550,000 thousand and \$21,616,705 thousand, respectively.

c. In accordance with the NCC's policy and regulations, TWM entered into a contract with First Commercial Bank Co., Ltd., which provided a performance guarantee for advance receipts from prepaid cards and electronic gift certificates, totaling \$497,020 thousand and \$16,551 thousand, respectively, as of September 30, 2019.

In accordance with the NCC's policy and regulations, cable television companies should provide performance bonds based on a certain proportion of the advance receipts from their subscribers. As of September 30, 2019, the cable television companies had provided \$74,735 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 \$112,968 thousand and \$33,854 thousand, respectively, as of September 30, 2019.

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

1) Construction and operating period:

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

2) Development concession:

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

3) Performance guarantee:

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

4) Rental of land:

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

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

- e. In 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.

33. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

- a. TWM applied for the participation in the 5G mobile spectrum auction to be held by NCC, and paid \$1,000,000 thousand as bid bond in October 2019.
- b. In November 2019, the Board of Directors resolved that TWM is going to purchase newly issued common stock of AppWorks Fund III Co., Ltd. through TVC, one of TWM's subsidiaries, and the investment amount is capped at \$600,000 thousand.

34. OTHERS

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

	For the Three Months Ended September 30					
	2019			2018		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 555,454	\$ 1,151,468	\$ 1,706,922	\$ 536,053	\$ 1,067,795	\$ 1,603,848
Insurance expenses	46,770	102,802	149,572	43,686	96,795	140,481
Pension	25,565	52,407	77,972	24,567	51,274	75,841
Others	26,477	67,233	93,710	25,895	62,687	88,582
Depreciation	2,918,046	248,733	3,166,779	2,371,731	84,971	2,456,702
Amortization	759,607	691,012	1,450,619	810,979	919,906	1,730,885
	For the Nine Months Ended September 30					
	2019			2018		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 1,664,039	\$ 3,486,314	\$ 5,150,353	\$ 1,628,246	\$ 3,329,605	\$ 4,957,851
Insurance expenses	139,846	308,537	448,383	131,385	292,315	423,700
Pension	75,593	156,901	232,494	73,053	154,549	227,602
Others	77,589	194,625	272,214	77,566	196,534	274,100
Depreciation	8,971,625	751,970	9,723,595	7,222,068	254,432	7,476,500
Amortization	2,276,598	2,256,410	4,533,008	2,410,304	2,957,131	5,367,435

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 \$102,984 thousand, \$102,711 thousand, \$300,488 thousand, and \$334,871 thousand, and remuneration to directors were \$10,299 thousand, \$10,271 thousand, \$30,049 thousand, and \$33,487 thousand, which were made by applying the rates to the aforementioned profit before income tax, for the three months and the nine months ended September 30, 2019 and 2018, 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 2018 and 2017 shown below were approved by the Board of Directors on January 31, 2019 and February 1, 2018, respectively. The differences with the amounts recognized in the consolidated financial statements have been adjusted in 2019 and 2018, respectively.

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

35. ADDITIONAL DISCLOSURES

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

- 1) Financing extended to other parties: Table 1 (attached)
- 2) Endorsements/guarantees provided to other parties: Table 2 (attached)
- 3) Marketable securities held: Table 3 (attached) (excluding investments in subsidiaries and associates)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)

- 8) Receivables from related parties of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- 9) Names, locations and related information of investees on which TWM exercised significant influence: Table 7 (attached) (excluding information on investment in Mainland China)
- 10) Trading in derivative instruments: None
- 11) Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 8 (attached)
- c. Information on investment in Mainland China:
- 1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 9 (attached)
- 2) Significant direct or indirect transactions with the investee companies, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Table 8 (attached)

36. SEGMENT INFORMATION

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

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

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

Cable Television: providing pay TV and cable broadband services.

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

For the Three Months Ended September 30, 2019	Telecommuni- -cation	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$17,176,506	\$ 12,371,510	\$ 1,523,292	\$ 149,653	\$ (395,046)	\$30,825,915
Operating costs	10,978,647	11,181,313	792,395	86,671	(347,128)	22,691,898
Operating expenses	2,972,035	863,109	191,411	12,626	(66,604)	3,972,577
Net other income and expenses	112,192	4,614	9,241	-	(11,074)	114,973
Profit	3,338,016	331,702	548,727	50,356	7,612	4,276,413
EBITDA (Note)	6,909,971	512,380	776,649	103,353	(1,858)	8,300,495
For the Three Months Ended September 30, 2018	Telecommuni- -cation	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$16,835,177	\$ 9,811,117	\$ 1,584,786	\$ 144,528	\$ (55,635)	\$28,319,973
Operating costs	10,359,409	8,868,707	895,807	86,354	(30,992)	20,179,285
Operating expenses	3,193,277	694,719	204,002	15,122	(50,904)	4,056,216
Net other income and expenses	134,897	2,977	15	-	(10,568)	127,321
Profit	3,417,388	250,668	484,992	43,052	15,693	4,211,793
EBITDA (Note)	6,303,374	334,927	798,484	96,273	56,826	7,589,884

For the Nine Months Ended September 30, 2019	Telecommuni- -cation	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$50,120,766	\$35,922,568	\$ 4,611,644	\$ 444,774	\$ (786,613)	\$90,313,139
Operating costs	31,430,202	32,364,100	2,464,430	259,508	(654,533)	65,863,707
Operating expenses	9,107,007	2,438,704	574,393	42,773	(169,142)	11,993,735
Net other income and expenses	377,258	16,952	11,077	2,710	(33,217)	374,780
Profit	9,960,815	1,136,716	1,583,898	145,203	3,845	12,830,477
EBITDA (Note)	20,862,888	1,622,706	2,370,420	304,215	(23,665)	25,136,564

For the Nine Months Ended September 30, 2018	Telecommuni- -cation	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$52,533,468	\$29,625,278	\$ 4,770,816	\$ 432,012	\$ (195,174)	\$87,166,400
Operating costs	31,693,382	26,612,535	2,699,524	257,601	(109,521)	61,153,521
Operating expenses	10,036,361	2,049,986	621,436	44,820	(144,567)	12,608,036
Net other income and expenses	513,128	8,700	231	-	(31,235)	490,824
Profit	11,316,853	971,457	1,450,087	129,591	27,679	13,895,667
EBITDA (Note)	20,052,105	1,203,977	2,408,095	289,086	151,214	24,104,477

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 Nine Months Ended September 30	
	2019	2018
Taiwan, ROC	\$ 87,764,871	\$ 84,837,298
Overseas	<u>2,548,268</u>	<u>2,329,102</u>
	<u>\$ 90,313,139</u>	<u>\$ 87,166,400</u>

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING EXTENDED TO OTHER PARTIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits	Note
													Item	Value			
1	TCC	TWM TFC	Other receivables	Yes	\$ 400,000	\$ 400,000	\$ 111,000	1.09422%-1.09511%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 36,099,195	\$ 36,099,195	Note 2
			Other receivables	Yes	700,000	700,000	200,000	1.39378%	Short-term financing	-	Operation requirements	-	-	-	36,099,195	36,099,195	Note 2
2	WMT	TWM TKT TFNM WTVB	Other receivables	Yes	3,500,000	3,500,000	2,416,000	1.09367%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	8,101,728	8,101,728	Note 2
			Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,101,728	8,101,728	Note 2
			Other receivables	Yes	3,000,000	3,000,000	1,520,000	1.09378%-1.09489%	Short-term financing	-	Operation requirements	-	-	-	8,101,728	8,101,728	Note 2
			Other receivables	Yes	600,000	600,000	330,000	1.09367%-1.09552%	Short-term financing	-	Operation requirements	-	-	-	8,101,728	8,101,728	Note 2
3	TFN	TWM TCC	Other receivables	Yes	9,000,000	9,000,000	7,600,000	1.09378%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	23,383,653	23,383,653	Note 2
			Other receivables	Yes	700,000	700,000	-	-	Short-term financing	-	Operation requirements	-	-	-	23,383,653	23,383,653	Note 2
4	YJCTV	TFNM	Other receivables	Yes	140,000	140,000	140,000	1.09456%	Transactions	462,253	-	-	-	-	462,253	462,253	Notes 3 and 4
5	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	1.09456%	Transactions	538,110	-	-	-	-	538,110	538,110	Notes 3 and 4
6	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	1.09456%	Short-term financing	-	Repayment of financing	-	-	-	280,134	280,134	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 NINE MONTHS ENDED SEPTEMBER 30, 2019

(In Thousands of New Taiwan Dollars)

No.	Company Providing Endorsements/ Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts (Note 1)	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor (Note 1)	Maximum Endorsements/ Guarantees Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	TWM	TFN TKT	Note 2 Note 2	\$ 42,000,000 313,800	\$ 21,500,000 50,000	\$ 21,500,000 50,000	\$ 8,516,300 50,000	\$ - -	33.91 0.08	\$ 63,398,349 63,398,349	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)
SEPTEMBER 30, 2019

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	September 30, 2019				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	\$ 241,260	0.028	\$ 241,260	
	Asia Pacific Telecom Co., Ltd.	-	Non-current financial assets at FVTOCI	148,255	893,978	3.45	893,978	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at FVTOCI	800	30,042	10	30,042	
	<u>Limited Partnerships</u>							
	Grand Academy Investment, L.P.	-	Non-current financial assets at FVTOCI	-	415,544	21.67	415,544	Note 1
	Starview Heights Investment, L.P.	-	Non-current financial assets at FVTOCI	-	85,336	21.67	85,336	Note 1
TCC	<u>Stock</u>							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at FVTOCI	6,998	90,696	5.21	90,696	
WMT	<u>Limited Partnerships</u>							
	The Last Thieves, L.P.	-	Non-current financial assets at FVTPL	-	2,500	7.14	2,500	Note 1
TFN	<u>Stock</u>							
	Taiwan High Speed Rail Corporation	-	Non-current financial assets at FVTOCI	90,212	3,184,498	1.6	3,184,498	
TCCI	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	200,497	22,455,637	5.74	22,455,637	
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at FVTOCI	10,000	37,761	6.67	37,761	
TUI	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	410,665	45,994,512	11.75	45,994,512	
TID	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	87,590	9,810,030	2.5	9,810,030	
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	September 30, 2019				Note
				Units/Shares (In Thousands)	Carrying Value	Percentage of Ownership %	Fair Value	
momo	<u>Stock</u>							
	Media Asia Group Holdings Limited	-	Current financial assets at FVTOCI	43,668	\$ 7,774	2.04	\$ 7,774	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at FVTOCI	2,400	49,128	7.73	49,128	

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

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

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
momo	Land	July 31, 2019	\$ 628,143	The Group has paid \$62,814 thousand. The remaining amounts will be settled in accordance with the contract.	Yi Jinn Industrial Co., Ltd.	-	-	-	-	\$ -	Determined by the professional appraisal report and market conditions	Set up a southern logistics center for operational needs	None

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 NINE MONTHS ENDED SEPTEMBER 30, 2019

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note	
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total		
TWM	TFN	Subsidiary	Sale	\$ 260,381	1	Based on contract terms	-	-	\$ 14,907	-	Note 1	
			Purchase	3,393,659	(Note 2)	Based on contract terms	-	-	(393,956)	(Note 3)	Note 1	
	TT&T	Subsidiary	Purchase	774,196	(Note 2)	Based on contract terms	-	-	(86,101)	(Note 3)		
	TKT	Subsidiary	Purchase	212,466	(Note 2)	Based on contract terms	-	-	(65,288)	(Note 3)		
	momo	Subsidiary	Sale	600,414	1	Based on contract terms	-	-	236,327	4		
	Fubon Ins.	Other related party	Sale	113,710	-	Based on contract terms	-	-	27,777	-		
TFN	TWM	Ultimate parent	Sale	3,420,835	49	Based on contract terms	-	-	393,956	41	Note 1	
			Purchase	248,097	(Note 2)	Based on contract terms	-	-	(14,907)	(Note 3)	Note 1	
	TFNM	Fellow subsidiary	Sale	110,505	2	Based on contract terms	-	-	22,169	2		
	Fubon Life	Other related party	Sale	102,840	1	Based on contract terms	-	-	14,411	2		
TT&T	TWM	Ultimate parent	Sale	774,196	91	Based on contract terms	-	-	86,101	90		
TPIA	Fubon Ins.	Other related party	Sale	132,323	90	Based on contract terms	-	-	60,370	88		
TKT	TWM	Ultimate parent	Sale	212,466	92	Based on contract terms	-	-	65,288	100		
TDS	Fubon Ins.	Other related party	Sale	104,083	57	Based on contract terms	-	-	-	-		
TFNM	TFN	Fellow subsidiary	Purchase	110,137	(Note 2)	Based on contract terms	-	-	(22,169)	(Note 3)		
			YJCTV	Subsidiary	Channel leasing fee	318,334	13	Based on contract terms	Note 4	Note 4	37,139	17
			PCTV	Subsidiary	Channel leasing fee	372,571	15	Based on contract terms	Note 4	Note 4	-	-
			UCTV	Subsidiary	Channel leasing fee	165,601	7	Based on contract terms	Note 4	Note 4	-	-
			GCTV	Subsidiary	Channel leasing fee	141,955	6	Based on contract terms	Note 4	Note 4	-	-
YJCTV	TFNM	Parent	Royalty for copyright	318,334	52	Based on contract terms	Note 4	Note 4	(37,139)	-		
PCTV	TFNM	Parent	Royalty for copyright	372,571	54	Based on contract terms	Note 4	Note 4	-	-		
UCTV	TFNM	Parent	Royalty for copyright	165,601	38	Based on contract terms	Note 4	Note 4	-	-		
GCTV	TFNM	Parent	Royalty for copyright	141,955	56	Based on contract terms	Note 4	Note 4	-	-		
MCTV	Dai-Ka Ltd.	Other related party	Royalty for copyright	118,370	51	Based on contract terms	Note 4	Note 4	(52,609)	90		
momo	TWM	Ultimate parent	Purchase	567,036	2	Based on contract terms	-	-	(223,290)	3		
	TPE	Associate	Purchase	391,848	1	Based on contract terms	-	-	(111,406)	1		

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

Note 2: Including operating costs and operating expenses.

Note 3: Including accounts payable and other payables.

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Action Taken		
TWM	momo	Subsidiary	Accounts receivable	\$ 236,327	6.57	\$ -	-	\$ 227,134	\$ -
TCC	TWM	Parent	Other receivables	111,210		-	-	-	-
	TFC	Subsidiary	Other receivables	200,267		-	-	-	-
WMT	TWM	Parent	Other receivables	2,426,046		-	-	9,435	-
	TFNM	Subsidiary	Other receivables	1,525,817		-	-	104,070	-
	WTVB	Subsidiary	Other receivables	330,901		-	-	592	-
TFN	TWM	Ultimate parent	Accounts receivable	393,956	10.59	-	-	328,458	-
			Other receivables	7,677,210		-	-	29,536	-
YJCTV	TFNM	Parent	Accounts receivable	4,906	6.86	-	-	1,302	-
			Other receivables	140,484		-	-	140,002	-
PCTV	TFNM	Parent	Accounts receivable	5,473	7.53	-	-	1,579	-
			Other receivables	521,471		-	-	520,048	-
GCTV	TFNM	Parent	Accounts receivable	2,356	6.76	-	-	622	-
			Other receivables	250,692		-	-	250,007	-
momo	TPE	Associate	Accounts receivable	99	3.50	-	-	99	-
			Other receivables	109,081		-	-	109,081	-

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 NINE MONTHS ENDED SEPTEMBER 30, 2019

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 30, 2019	December 31, 2018	Shares (In Thousands)	Percentage of Ownership %	Carrying Value			
TWM	TCC	Taiwan	Investment	\$ 40,397,288	\$ 40,397,288	502,970	100	\$ 19,729,576	\$ 2,760,613	\$ 2,761,226	Note 1
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	20,254,115	1,626,058	1,626,373	Note 1
	TVC	Taiwan	Investment	5,000	-	500	100	5,000	-	-	
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,807,489	64,566	35,035	Note 1
	AppWorks	Taiwan	Venture capital, investment consulting, and management consulting	235,000	-	1,275	51	235,000	(28,937)	-	
	ADT	Taiwan	Technology development of mobile payment and information processing services	60,000	60,000	6,000	14.4	5,061	(3,485)	(3,575)	
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	58,460,094	2,652,541	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	98,347	38,876	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	259,354	5,253	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	30,669,837	666	-	Note 2
	TDC	Taiwan	Mobile phone wholesaling and TV program production	-	112,000	-	-	-	(596)	-	Notes 2 and 4
	TDS	Taiwan	Commissioned maintenance service	25,000	25,000	2,500	100	102,475	7,943	-	Note 2
	TPIA	Taiwan	Property insurance agent	5,000	5,000	500	100	47,700	40,409	-	Note 2
	TFC	Taiwan	Type II telecommunications business	200,000	5,000	20,000	100	207,101	7,693	-	Note 2
WMT	TFNM	Taiwan	Type II telecommunications business	5,210,443	5,210,443	230,921	100	6,336,224	1,204,451	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	16,857	(22)	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	97,342	3,030	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	312,809	55,121	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,204,978	974,716	-	Notes 2 and 5
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	40,421,705	(81)	-	Note 2
	TFN HK Ltd.	Hong Kong	Telecommunications service provider	-	2,925	-	-	-	70	-	Notes 2 and 4
TCCI	TID	Taiwan	Investment	3,602,782	3,602,782	104,712	100	8,626,787	(106)	-	Note 2
TFNM	TKT	Taiwan	Digital music service	156,900	129,900	14,700	100	253,376	526	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	1,796,447	(119,117)	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	636,295	50,586	-	Notes 2 and 6
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,371,114	80,222	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	1,985,601	14,549	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,269,496	46,560	-	Note 2
	kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	141,419	(47,447)	-	Note 2
TKT	M.E.	Taiwan	Livestreaming artists management service, digital media production, and media planning	27,000	-	460	15	25,530	(19,274)	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 30, 2019	December 31, 2018	Shares (In Thousands)	Percentage of Ownership %	Carrying Value			
GFMT	UCTV	Taiwan	Cable TV service provider	\$ 16,218	\$ 16,218	1,300	0.76	\$ 15,265	\$ 14,549	\$ -	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	95,848	46,560	-	Note 2
momo	Asian Crown (BVI)	British Virgin Islands	Investment	885,285	885,285	9,735	81.99	43,456	3,059	-	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	781,927	46	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	8,876	(220)	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	10,027	900	-	Note 2
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	44,810	5,493	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	397,662	121,877	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	123,225	123,225	24,150	35	124,391	29,198	-	Note 2
	Bebe Poshe	Taiwan	Wholesale of cosmetics	85,000	85,000	8,500	85	77,319	(6,361)	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,132,789	11,594	100	48,462	3,024	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,132,789	11,594	100	48,462	3,024	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	781,927	46	-	Note 2

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

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

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

Note 4: Liquidation procedures were completed in August 2019.

Note 5: Non-controlling interests.

Note 6: 70.47% of stocks are held under trustee accounts.

Note 7: For information on investment in Mainland China, see Table 9 for details.

(Concluded)

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

(In Thousands of New Taiwan Dollars)

Number	Company Name	Counter-party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	TWM	TFN	1	Notes and accounts receivable, net	\$ 15,357	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIA	1	Notes and accounts receivable, net	48,169	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Notes and accounts receivable, net	236,535	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other receivables	30,488	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Other receivables	13,459	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Other non-current assets	18,028	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Short-term borrowings	7,600,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	5%
		WMT	1	Short-term borrowings	2,416,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	2%
		TCC	1	Short-term borrowings	111,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Notes and accounts payable	66,872	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TKT	1	Notes and accounts payable	65,029	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Notes and accounts payable	25,913	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other payables	375,967	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WMT	1	Other payables	10,046	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Other payables	86,101	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Other payables	20,228	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Lease liabilities - current	36,061	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Lease liabilities - current	111,502	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	Other current liabilities	\$ 28,180	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Other current liabilities	16,035	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Lease liabilities - non-current	42,702	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Lease liabilities - non-current	396,560	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Lease liabilities - non-current	36,189	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Lease liabilities - non-current	17,793	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TKT	1	Disposal of plant, property and equipment	12,499	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating revenues	260,381	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIA	1	Operating revenues	83,731	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Operating revenues	600,414	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TFN	1	Operating costs	3,389,832	The terms of transaction are determined in accordance with mutual agreements or general business practices	4%
		TKT	1	Operating costs	211,908	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Operating costs	14,420	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Operating costs	53,190	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Operating costs	24,176	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Operating costs	77,205	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Operating expenses	774,356	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TNH	1	Operating expenses	69,749	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating expenses	31,297	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other revenues and expenses, net	28,097	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
TFN	1	Finance costs	60,462	The terms of transaction are determined in accordance with mutual agreements or general business practices	-		
WMT	1	Finance costs	21,756	The terms of transaction are determined in accordance with mutual agreements or general business practices	-		
1	TCC	TFC	1	Other receivables	200,267	The terms of transaction are determined in accordance with mutual agreements or general business practices	-

(Continued)

Number	Company Name	Counter-party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
2	WMT	TFNM	1	Other receivables	\$ 1,525,817	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		WTVB	1	Other receivables	330,901	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Other income	10,122	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
3	momo	FGE	1	Notes and accounts receivable, net	20,580	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		FST	1	Other receivables	17,515	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		FGE	1	Operating revenues	19,672	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		Bebe Poshe	1	Operating costs	13,025	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating costs	47,639	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
4	TFN	TFNM	3	Notes and accounts receivable, net	22,169	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFC	3	Operating revenues	48,580	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating revenues	110,505	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	3	Operating revenues	15,105	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	3	Operating expenses	80,501	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
5	TFNM	YJCTV	1	Notes and accounts receivable, net	40,427	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Other receivables	74,219	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Other receivables	70,803	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Other receivables	24,788	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Other receivables	23,550	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		MCTV	1	Other receivables	15,419	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Short-term borrowings	520,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Short-term borrowings	140,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
GCTV	1	Short-term borrowings	250,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-		

(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	WTVB	3	Notes and accounts payable	\$ 49,975	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating revenues	403,951	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating revenues	346,517	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating revenues	165,601	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Operating revenues	154,530	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		MCTV	1	Operating revenues	14,112	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Operating revenues	10,282	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating costs	26,149	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating costs	23,501	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating costs	17,005	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Operating costs	10,951	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Operating costs	49,975	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 NINE MONTHS ENDED SEPTEMBER 30, 2019

(In Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2019	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of September 30, 2019	Accumulated Inward Remittance of Earnings as of September 30, 2019	Note
					Outflow	Inflow							
TWMC	Mobile application development and design	\$ 93,060 (USD 3,000)	b	\$ 151,126 (USD 4,872)	\$ -	\$ -	\$ 151,126 (USD 4,872)	\$ 1,092	100	\$ 1,092	\$ 104,812	\$ -	
FGE	Wholesaling	337,590 (RMB 77,500)	b	823,127 (USD 14,000) (RMB 89,267)	-	-	823,127 (USD 14,000) (RMB 89,267)	3,088	76.7	2,368	32,642	-	
Haobo	Investment	47,916 (RMB 11,000)	b	-	-	-	-	4,426	100	4,426	754,483	-	
GHS	Wholesaling	217,800 (RMB 50,000)	b	-	-	-	-	107,147	20	5,467	711,017	-	

Company	Accumulated Investment in Mainland China as of September 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
TWM and subsidiaries	\$1,640,994 (USD18,872, RMB89,267 and HKD168,539)	\$1,640,994 (USD18,872, RMB89,267 and HKD168,539)	\$41,642,025

Note: The investment types are as follows:

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