



# Taiwan Mobile

## 2019 Annual Report



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Listing of Foreign Securities	None	

Disclaimer

*Please note that this English annual report is not a word-for-word translation of the Chinese version.*

*In the event of any variance, the Chinese text shall prevail.*

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# Letter to shareholders

Dear Shareholders,

From consumption to entertainment, the rapid changes in technology have altered the way people live. New business opportunities entail new business models. Taiwan Mobile (“TWM”, or “the Company”) believes that technology springs from humanity and should be incorporated into everyday life. Through forward-looking business planning, the Company has continued its pioneering role, breaking conventions and embracing change to develop new growth curves. As always, it applies the highest standards to corporate governance, shareholder value and customer satisfaction, and regards sustainability as a corporate social responsibility.

## **Innovative intelligent applications**

In 2019, leveraging its expertise in internet of things (IoT), cloud and artificial intelligence (AI), Taiwan Mobile developed a host of products and services that are closely intertwined with our daily lives. This included myAir-S1 portable PM2.5 detector, a smart retail platform for charity, smart communities, an AI energy management cloud platform and a mobile card reader. The Company also joined forces with Google to expand smart home application through a smart speaker that integrates cable TV and audio-visual services with voice commands. Going forward, TWM is looking to 5G technology that will enable development of innovative applications, such as multi-angle broadcasting, virtual reality and augmented reality, smart therapy and smart factory.

## **New business roadmap, new frontier**

To capture emerging business opportunities from digital convergence and smart home developments, Taiwan Mobile launched an all-round digital convergence plan that covers mobile, fixed broadband, and video/music streaming services. Apart from promoting “Smarter Home” services to consumers at its retail stores, the Company also enhanced online and offline integration with its e-commerce platform momo. TWM's solid presence in the mobile, fixed network, cable TV and e-commerce fields lends support to its continuing efforts to promote product differentiation and achieve wider business synergy.

## **World-class corporate governance**

Taiwan Mobile has consistently striven to be a role model in corporate sustainability, with the Company once again receiving numerous commendations for its efforts in the past year. TWM was selected by SAM, a leading international sustainability investment specialist, for inclusion in its “2019 Sustainability Yearbook,” receiving a Silver Class award for the second consecutive year. The Company was also included in the Dow Jones Sustainability Indices (DJSI) Emerging Markets Index for the eighth consecutive year and in the DJSI World Index for the third time, grabbing the No. 2 spot.

## **Valuing customer satisfaction and shareholders' interests**

Taiwan Mobile has created solid returns for its shareholders by maintaining a cash dividend yield of around 5% in recent years through a calibrated investment strategy and prudent capital expenditure, while earning widespread recognition for its excellent customer service. In addition to receiving the Best Customer Service Center award at the Customer Service Excellence Awards for three years in a row, the Company's myfone stores and customer service center also received SGS Qualicert certification for the eighth consecutive year.

## **Corporate social responsibility**

As a national telecom industry leader, TWM believes it is its duty not only to pursue solid operational and financial performances, but also to share the benefits of its steady growth over the years with society. In 2019, the Company passed the Science Based Targets Initiative (SBTi) evaluation, becoming the first non-electronics manufacturer in Taiwan and the second telecom service provider throughout Asia to pass this stringent international verification. Additionally, TWM takes pride in winning its 13th and 14th Corporate Social Responsibility Awards from *Global Views Monthly* and its 12th Excellence in Corporate Social Responsibility Award from *CommonWealth Magazine*, where it ranked first in the telecom industry and was among the top 10 in the large enterprise category. TWM earned further distinction by receiving 10 awards at the 2019 Taiwan Corporate Sustainability Awards and was honored with the Most Prestigious Sustainability Award – Top 10 Domestic Corporations for the fifth time, the most amongst domestic telecom peers.

In addition to setting a corporate vision and strategic goals, TWM believes execution, introspection and improvement are the keys to its future growth.

## **2019 operating and financial results**

With easing competition in the telecommunications market in 2019, TWM utilized group resources to introduce differentiated products and services that match consumer trends in order to mitigate the impact on revenue of declining tariffs and a lengthening handset replacement cycle. This, coupled with efforts to boost contributions from non-telecom businesses, helped the Company's YoY profitability trend to turn positive in the second half of the year. TWM reported consolidated revenue of NT\$124.4 billion, EBITDA of NT\$33.4 billion and a net profit of NT\$12.5 billion. Earnings per share of NT\$4.51 were in line with management guidance. Continued investment in research and development bore fruit, including deploying deep learning to boost efficiency in base station resource allocation, utilizing AI algorithms to provide personalized recommendations, and supporting smart home applications, such as smart speakers and virtual assistants.

## **Outlook**

2020 will mark the first year of the 5G era, where its capabilities in enhanced mobile broadband (eMBB), ultra-reliable and low latency communications (URLLC) and massive machine type

communications (mMTC), coupled with AI technology, will change industries and lifestyles. While smart therapy, smart factory and other vertical markets, as well as cloud gaming, offer new opportunities, telecom players face challenges in setting 5G rates, planning commercial rollouts and introducing timely applications. TWM sees these challenges as an opportunity to transform and move forward.

Bearing in mind our responsibility to shareholders and consumers alike, TWM aspires to integrate technology into everyday life, while bolstering information security, to facilitate its transformation into a smarter enterprise, with increasing profit contributions from its consumer, cable TV, enterprise and retail business groups.

Daniel M. Tsai  
Chairman

# Chapter 1 Company Highlights

## Vision

With the advent of the IoT, AI and 5G era, Taiwan Mobile ("TWM") has transitioned into a new internet technology company. TWM has adopted a new "Super 5G" strategy to embrace technologies that will facilitate innovation and accelerate its transformation into a regional enterprise:

- Gift - Unlock digital capacity across Taiwan Mobile's assets
- Group - Maximize synergies by joint combating with Fubon, Kbro, momo and AppWorks
- Grit - Take 10 to 15 years view in developing ecosystem
- Green - Love for Taiwan, for humanity, and for the Earth
- GSEA (Greater Southeast Asia) - Transform into a regional company anchored in Taiwan

TWM is focused on promoting world-class sustainability management by adhering to the philosophy of "Think Sustainable, Act Responsible" to advance its "Zetta Connected 2030" Project to enhance corporate governance, environmental sustainability and social collaboration. In facing the challenges of the 5G era, TWM has always prioritized the greatest common interests of its eight stakeholders, starting its foray into 5G with the most reasonable price and spectrum combination, and gradually expanding its 5G spectrum resources according to customer needs to continue its leading role in boosting Taiwan's international visibility.

## Core Competencies

Taiwan Mobile (TWM) has diversified its business into four areas – Telecom, Internet, Media & Entertainment, and E-Commerce, or T.I.M.E. – supported by its core competencies in 6C – Coverage, Convergence, Content, Channel, Cloud and CSR – to strengthen its competitiveness. In 2019, the Company introduced a new "Super 5G" strategy, integrating enterprises such as audio-visual giant Kbro, e-commerce leader momo, and AppWorks, Southeast Asia's largest startup accelerator, and deploying in-house big data and innovative services like myVideo, myMusic, myBook and myAir. Longer term, TWM hopes to achieve fuller operating synergy in 10 to 15 years to enhance its overall competitiveness.

In 2019, TWM secured its position as the most profitable in terms of EPS in the telecommunications industry. With robust revenues from subsidiary momo serving as its second growth driver, TWM is actively building up its third and fourth growth engines. In November, TWM announced a closer alliance with AppWorks, a leading startup accelerator and venture capital in the greater Southeast Asian region. The Company is also working on incorporating its affiliated telecom, fiber broadband, cable TV and e-commerce businesses to enter the smart home market. These strategic partnerships are critical to building an ecosystem and developing innovative services and applications to lead it beyond the telecommunications field.

On top of that, TWM has adopted world-class standards in cultivating corporate governance, social participation and a sustainable environment. In 2019, it was selected as a constituent of the DJSI World Index for the third consecutive year, ranking second in the world and first in Taiwan in the telecommunications industry. The Company continues to strive to meet the UN's 17 Sustainable Development Goals, transforming its core competencies into engines for achieving corporate sustainability to bring a more positive impact to the world.

## **Brand Value**

To welcome the new connected era of 5G, TWM proactively integrated all core knowledge and resources in 2019. As its CSR Blueprint “Zetta Connected 2030” suggests, the Company aims to create seven crucial values for stakeholders: ethical operations, sustainable partnerships, brand excellence, innovative accomplishments, environmental sustainability, a happy workplace and social inclusion. In doing so, it aspires to build a sustainable smart value chain and make the most positive impact on the brand.

With “Super 5G” as its principal strategy, TWM is actively deploying in the fields of AI, big data and IoT services, investing innovative R&D capabilities into the construction of a 5G infrastructure and the development of killer applications to provide consumers with the ultimate smart living experience. In January, TWM showcased its 5G capabilities, becoming the first telecom operator in Taiwan to send out signals on 5G 3.5GHz. In the same month, it introduced the myAir portable PM2.5 detector, the first-ever IoT product designed and developed by TWM. In March, it surpassed its peers in introducing the Cloud PBX, putting the traditional switchboard into the cloud. In July, it worked with a hundred corporate partners to form the “5G super league” – covering areas like 5G communications, smart stadium and smart living. In August, it joined hands, once again, with Asustek and Quanta in the expansion project of Taiwan 2 – NARLabs’ AI and big data computing machine – demonstrating TWM’s strength and capability in data technology.

Sustainable benchmarking is an important brand value for TWM. In 2019, the Company earned plaudits at home and abroad for corporate governance, environmental-friendly practices and social participation. In terms of corporate governance, it led the telecommunications industry in EPS for the eighth consecutive year and was included in the top 5% of listed companies in the “Corporate Governance Evaluation” conducted by the Taiwan Stock Exchange and Taipei Exchange for the fifth time. In social participation, TWM promoted technology education and assisted charity groups in implementing digital applications, working with myBook and major publishers in March to launch the “Digital Wings” project, helping 10,000 disadvantaged teenagers boost their digital competitiveness and foreign language abilities. With regards to environmental sustainability, the Company adopted energy-saving and carbon-reduction initiatives, trumping its peers in June when it received recognition for passing SBT (Science Based Targets) inspection, setting a role model for sustainability in Taiwan’s telecom industry. TWM also participated in GeSI’s Digital with Purpose: Delivering a SMARTer2030 research report and presented the world with TWM myAir, a base station smart energy-saving system, HomeSecurity and other services, highlighting TWM’s positive values and contributions to global sustainable development.

Dare to change and magnify the world. In 2020, TWM is boldly moving forward with its “Super 5G” strategy to highlight the positive impact of its brand value and usher in the greatest value and best lifestyle for its eight main stakeholders.

## **Date of Incorporation**

The Company was founded on February 25, 1997.

## **Changes in shareholdings of directors and major shareholders**

Refer to page 67 “Changes in shareholdings of directors, managers and major shareholders”.



**Other matters of material significance that could affect shareholders' equity and the Company:** none

**Awards and recognitions from 2019 up to the publication date in 2020**

January	2020	Received a Silver Class Distinction in sustainability investment specialist SAM's 2020 yearbook.
January	2020	Recognized as an A-list climate change enterprise by CDP, the world's largest carbon disclosure organization.
January	2020	Recognized for its Excellent Performance in the Executive Yuan's 2019 National Critical Infrastructure Protection drills, the only telecom company to receive such a distinction
December	2019	Received the second-highest award and a special award from the 2019 Buying Power – Social Innovation Products and Services Purchase Reward Program by the Small and Medium Enterprise Administration, Ministry of Economic Affairs.
December	2019	Received internationally renowned Swiss firm SGS' Qualicert certification for its direct stores channel, myfone and customer services for the eighth time in a row.
December	2019	Received an award for Best in Water Conservation by a Non-industrial Company from the Water Resources Agency, Ministry of Economic Affairs.
December	2019	Two myfone store managers honored with Excellent Store Manager Awards by the Taiwan Chain Stores and Franchise Association.
November	2019	Received 10 recognitions at the 2019 Taiwan Corporate Sustainability Awards: corporate sustainability, transparency and integrity, social inclusion, climate leadership, supply chain management, people development, creativity in communication, top 50 corporate sustainability reports (platinum award in the ICT sector), English report, and the most prestigious Top 10 Models for Corporate Sustainability.
November	2019	Received an award for "voluntary energy conservation" from the Bureau of Energy, Ministry of Economic Affairs.
September	2019	Selected as a constituent of the Dow Jones Sustainability World Indices (DJSI World), ranking top two in global telecommunications. Also selected as a constituent of the DJSI emerging market indices for the eighth year in a row.
September	2019	Received commendation at the 2019 Sports Promoter Awards – Sponsorship Award Gold Class and Long-term Corporate Supporter – from the Sports Administration, Ministry of Education's Sports Administration.

September	2019	Received the following commendations at the 2019 Asian Excellence Award – Best Investor Relations Company, Best CEO and Best CFO – from Corporate Governance Asia magazine.
August	2019	Received the Excellence in Corporate Social Responsibility Award in the telecommunications industry from CommonWealth magazine for the 12th consecutive year.
August	2019	Won an SGS Information Security Management Excellence Award.
Jun	2019	The only telecommunications company in Taiwan to pass the greenhouse gas emission reduction targets set by the Science-Based Targets Initiative (SBTi).
May	2019	Ranked among the top 5% of listed companies in “Corporate Governance Evaluation” for the fifth year in a row by the Taiwan Stock Exchange and Taipei Exchange.
April	2019	Honored with the 2019 Annual CSR Survey – Telecom Service Industry and Outstanding Solutions – Public Welfare Awards at the 15th CSR Award organized by Global Views magazine.
April	2019	Selected as a constituent of the FTSE4Good TIP Taiwan ESG Index.
January	2019	Received a Silver Class Distinction in sustainability investment specialist SAM's 2019 yearbook.

## Milestones

February	2020	Secured the spectrum blocks F22 to F27 in the 3.5GHZ band and G24 to G25 in the 28GHZ band at the location bidding.
January	2020	Secured 60MHz of spectrum in the 3.5GHz band and 200MHz in the 28GHz band at the quantity bidding.
November	2019	Invested NT\$600 million (US\$20M) in AppWorks Fund III, which is managed by AppWorks, making it a major investor of this VC fund.
August	2019	Hosted its first Circular Economy Forum, with TWM president Jamie Lin and 14 strategic partners signing a "Circular Economy Cooperation Declaration."
July	2019	2018 TLPGA Taiwan Mobile Ladies Open made the Guinness World Records for “the most holes-in-one in a single tournament.”
July	2019	Built a 5G super league with nearly 100 high-tech business operators, making it the largest smart ecosystem in Taiwan.
July	2019	Established the momo TV channel in cooperation with Fubon Group, making it the first 4K TV family channel in Taiwan
January	2019	Launched myAir, a portable PM2.5 detector.



January	2019	President James Jeng retired on March 31. At the 12th meeting, the 8th Board of Directors approved the appointment of Jamie Lin as the president, effective April 1.
January	2019	Showcased "True 5G" equipment" – making it the first in Taiwan to conduct an outdoor field test on the 3.5GHz band in compliance with 3GPP R15 specifications.
September	2018	myVideo collaborated with Kbro to produce its first original drama – “A Taiwanese Tale of Two Cities.”
July	2018	TWM built the first Pre-5G smart stadium nationwide, while Kbro launched the first 4K professional baseball live broadcast.
June	2018	Formed a National AI “A Team” with Asustek Computer and Quanta Computer.
March	2018	Collaborated with 50 leading domestic and international companies to build a “Grand IoT Ecosystem.”
December	2017	Teamed up with Taipei Fubon Bank to launch the first digital “red envelope” in Taiwan by integrating M+ Messenger and mobile internet banking to provide mobile payment via instant messenger.
November	2017	Received 3 million circuit numbers for IoT use from the National Communications Commission (NCC), thus officially beginning its IoT era.
November	2017	Collaborated with Taipei Fubon Bank and EasyCard Corp to launch a Taiwan Mobile co-branded credit card.”
October	2017	TWM and Fubon Group announced their strategic partnership with worldwide entertainment and sports agency Creative Artists Agency (CAA) Hollywood, CAA China and CMC Capital Partners (CMC), China's leading media and entertainment investment and operating platform.
June	2017	Daniel M. Tsai and Richard M. Tsai were elected Chairman and Vice Chairman, respectively, at the 1st meeting of the eighth Board of Directors.
October	2016	Daniel M. Tsai and Richard M. Tsai were elected Chairman and Vice Chairman, respectively, at the 13th meeting of the seventh Board of Directors.
March	2016	Joined the Global e-Sustainability Initiative, making TWM the first Taiwanese and the third Asian firm to become a member.
February	2016	First Taiwanese telecom operator to showcase its SIM Management Platform and Global eSIM application at the Mobile World Congress.
January	2016	Launched mobile payment service Wali.
March	2015	Acquired an additional license for 5MHz x 2 spectrum in the 700MHz band, making TWM the sole operator providing contiguous 20MHz LTE services in Taiwan.
August	2014	Awarded an 1800MHz license and became the first to adopt carrier aggregation in the 700/1800 frequency bands for LTE services.
June	2014	Launched 4G services in the 700MHz band.
June	2014	Richard M. Tsai and Daniel M. Tsai were re-elected Chairman and Vice Chairman, respectively,

		at the 1st meeting of the seventh Board of Directors.
January	2014	James Jeng was appointed President at the 16th meeting of the sixth Board of Directors.
November	2013	TWM's internet data center (IDC), which received an Uptime Institute Tier III certification for design and construction, began operations.
October	2013	Won two 15MHz x 2 blocks in the 4G auction, one in the 700MHz (spectrum A4) band and another in the 1800MHz (spectrum C1) band.
November	2012	Launched mobile video service myVideo.
May	2012	Launched instant messaging service M+ messenger.
August	2011	Capital reduction of NT\$3.8bn.
June	2011	Richard M. Tsai and Daniel M. Tsai were re-elected Chairman and Vice Chairman, respectively, at the 1st meeting of the sixth Board of Directors.
April	2011	The Board of Directors approved the acquisition of a 51% stake in Fubon Multimedia Technology (also known as momo) for NT\$8.35bn through TWM's 100%-owned subsidiary Wealth Media Technology.
October	2010	Cliff Lai and Vivien Hsu were appointed Co-Presidents at the 17th meeting of the fifth Board of Directors, effective January 1, 2011.
May	2010	TFN Media Co., Ltd. (TFNM), a TWM affiliate, acquired a 45% stake in Taiwan Kuro Times Co., Ltd. TFNM raised its stake to 100% in August 2011.
January	2009	Founded Taipei New Horizon Co., Ltd. (a 49.9% holding) with Fubon Land Development Co., Ltd. to develop a cultural park at the site of the old Songshan tobacco plant under a 50-year BOT contract with the Taipei City Government.
September	2008	TransAsia Telecommunications (TAT) and Mobitai Communications were officially merged into TWM.
June	2008	Richard M. Tsai and Daniel M. Tsai were re-elected Chairman and Vice Chairman, respectively, at the 1st meeting of the fifth Board of Directors.
February	2008	Introduced three new brands – Taiwan Mobile, TWM Broadband and TWM Solution – to provide consumers, households and enterprises with integrated telecom services, including wireless communication, cable TV and fixed-line services.
December	2007	Company's capital dropped to NT\$38bn after a capital reduction of NT\$12bn.
August	2007	Acquired a 45% stake in Taiwan Telecommunication Network Services Co., Ltd. (TTN). TWM raised its stake to 100% in August 2008 and merged TTN into Taiwan Fixed Network Co., Ltd. (TFN).
April	2007	Acquired an 84% stake in TFN. TWM acquired full ownership of TFN in December 2007.
January	2007	Launched 3.5G (HSDPA) services.
August	2006	Richard M. Tsai and Daniel M. Tsai were re-elected Chairman and Vice Chairman, respectively, at the 10th meeting of the fourth Board of Directors.

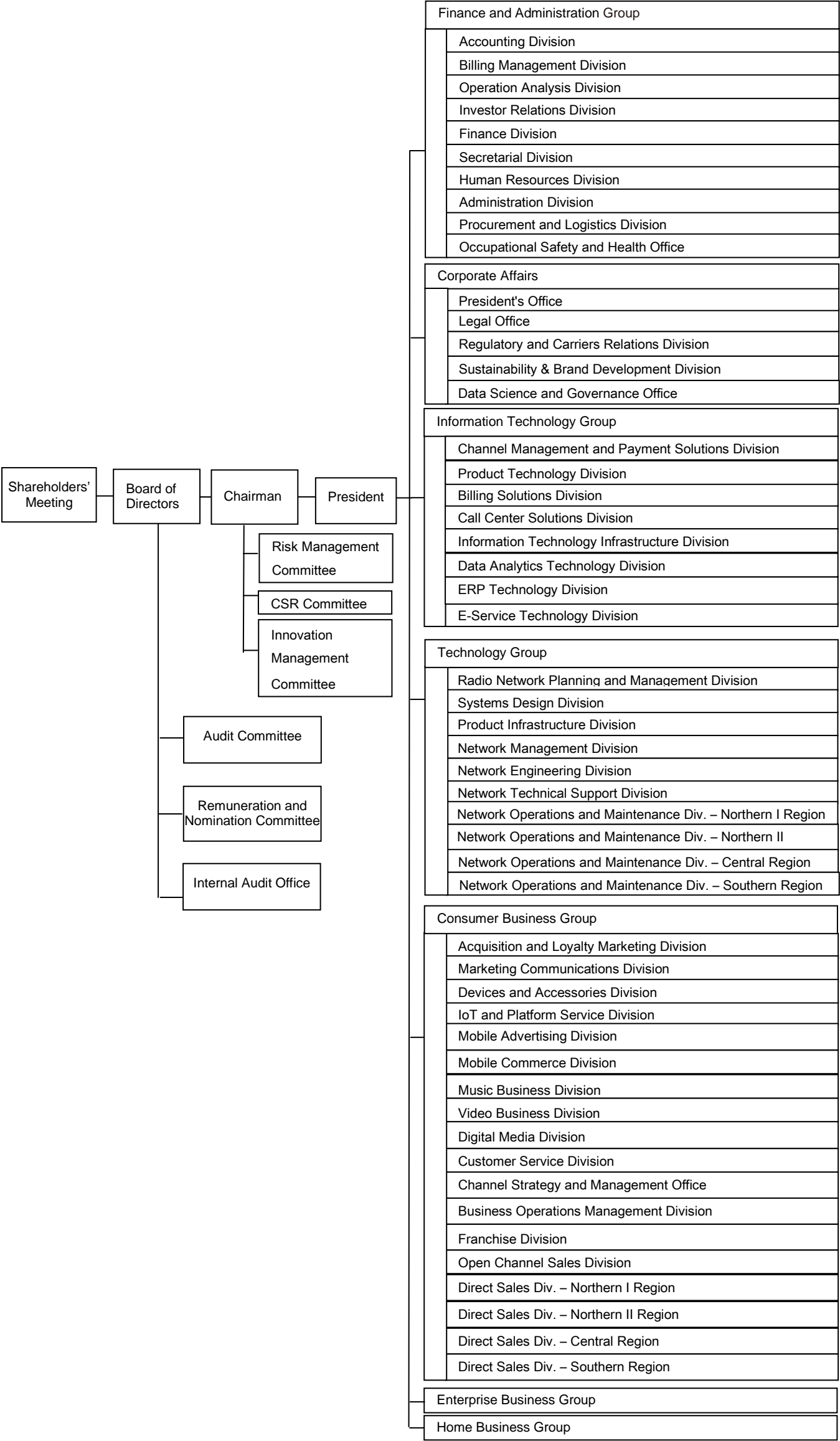


June	2005	Daniel M. Tsai and Richard M. Tsai were re-elected Chairman and Vice Chairman, respectively, at the 1st meeting of the fourth Board of Managing Directors.
May	2005	First in Taiwan to launch 3G (WCDMA) services.
November	2004	Joined the Bridge Mobile Alliance, the largest mobile alliance in Asia.
August	2004	Acquired a 67% stake in Mobitai, increasing its subscriber base to 8.2 million. TWM acquired full ownership of Mobitai In January 2006 and merged it into TransAsia Telecommunications in December 2007.
July	2003	Harvey Chang was appointed President and CEO at the 15th meeting of the third Board of Directors.
July	2003	Daniel M. Tsai and Richard M. Tsai were elected Chairman and Vice Chairman, respectively, at the 2nd meeting of the third Board of Managing Directors.
August	2002	Listed on the Taiwan Stock Exchange.
May	2002	C. S. Chen was appointed President at the 2nd meeting of the third Board of Directors.
April	2002	Jack T. Sun and Joseph Lee were re-elected Chairman and Vice Chairman, respectively, at the 1st meeting of the third Board of Directors.
February	2002	Granted a 3G license.
July	2001	Acquired a 95.62% stake in TransAsia Telecommunications (TAT), boosting its subscriber base to 6.42 million. TWM acquired full ownership of TAT in June 2006 and merged it into TWM in September 2008.
November	2000	Ray-Ying Fan was appointed President at the 8th meeting of the second Board of Directors.
September	2000	First private telecom operator to trade on Taiwan's OTC market.
June	1999	Jack T. Sun and Joseph Lee were re-elected Chairman and Vice Chairman, respectively, at the 1st meeting of the second Board of Directors.
January	1998	Started commercial operations.
December	1997	First nationwide private operator to obtain a GSM 1800 network operating license.
February	1997	Company was incorporated.
January	1997	Jack T. Sun and Joseph Lee were elected Chairman and Vice Chairman, respectively, while Lai-Ting Zou was appointed President at the 1st meeting of the 1st Board of Directors.
May	1996	Prepared for the Company's incorporation.

Chapter 2 Organization and Corporate Governance

Organization  
Organization Chart

As of February 24, 2020





## Divisional Scope of Responsibilities

Division		Scope of responsibilities
Internal Audit Office		Audit of the Company and its subsidiaries Handle employee and supplier complaints Risk Management Committee operations
Corporate Affairs	President's Office	Corporate strategy and project management Develop new businesses and strategic alliances Enhance corporate management mechanism and cross-department project management Carry out information security management system planning and deployment, and monitor improvements
	Legal Office	Legal counsel, company litigation and legal document review
	Regulatory and Carriers Relations Division	Regulatory matters, government relations and intercarrier relations
	Sustainability and Brand Development Division	Sustainability and corporate social responsibility, brand management and sponsorships, media communication and public relations, and TWM Foundation and corporate website management
	Data Science and Governance Office	Enhance efficiency and quality of data collection, definition, storage, management and application
Finance and Administration Group	Accounting Division	Accounting information management Tax planning and compliance Preparation of financial reports
	Billing Management Division	Billing, receivables collection and settlement Credit check and risk management
	Operation Analysis Division	Operating performance analysis, capex/opex cost and benefit analysis, and financial forecasts/annual budget review
	Investor Relations Division	Maintain two-way communication between the Company and investors wherein the Company regularly provides timely disclosure of its operations, financial status, business strategy and future business developments
	Finance Division	Treasury management Monitor investments and subsidiaries' business activities Finance-related project evaluation, planning and execution
	Secretarial Division	Corporate governance affairs, board and shareholders' meetings, and corporate registration affairs Corporate share registrar management Company seal custodian and receipt/transmission of corporate documents
	Human Resources Division	Human resources planning and management Staffing, compensation/benefits and employee relations Employee training and development
	Administration Division	Office machinery and equipment management General and administrative affairs coordination Base station administration affairs
	Procurement and Logistics Division	Procurement policy and system planning Procurement-related activities and contract signing Supplier management
	Occupational Safety and Health Office	Occupational safety and health management Workplace health promotion

Division		Scope of responsibilities
Information Technology Group	Channel Management and Payment Solutions Division	Sales, channel services and commission system solutions Enterprise management information system solutions Payment service solutions
	Product Technology Division	Technical consultation and solution analysis for innovative services and customer premises equipment (CPE) technologies Solutions design, systems development and delivery for innovative services and marketing promotions
	Billing Solutions Division	Billing systems operation and development
	Call Center Solutions Division	Call center infrastructure and operational management solutions Taiwan Fixed Network IT server operation and management
	Information Technology Infrastructure Division	Data center, systems and network infrastructure construction and operations management Implementation of information security policy
	Data Analytics Technology Division	Data analytics system solutions, including data warehouse, data science and business intelligence solutions System solutions for management of network assets, warehousing, maintenance and repair, and customer experience
	ERP Technology Division	Customer care application systems Enterprise resource planning (ERP) and human resources solutions Front-end customer management, sales management, and supply and order solutions for fixed-line business
	E-Service Technology Division	Corporate website, e-service systems (e-store/myfone shopping), member center and fixed-network application systems Service-oriented architecture and enterprise service bus (SOA/ESB), IoT platform, and cloud services platform development and management IT governance, enterprise architecture, software development process, and basic architecture software/tools development and management
Technology Group	Radio Network Planning and Management Division	Radio network strategy development and planning Site planning and performance management Radio network quality management
	System Design Division	Plan and design core, IP and transmission network systems for mobile and fixed networks Verification testing of network elements
	Product Infrastructure Division	To design, implement and operate: <ul style="list-style-type: none"> <li>- Cloud internet data center (IDC)</li> <li>- Cloud computing services – Infrastructure as a Service (IaaS) and Platform as a Service (PaaS)</li> <li>- Technology service infrastructure</li> </ul>
	Network Management Division	24-hour supervision of mobile/fixed network management Technical support for customers with network issues Network security management
	Network Engineering Division	Mobile telecom and fixed-network business' infrastructure budget, and engineering and construction project outsourcing Applications for base station co-location, technical approvals and cable/conduit management for government agencies Fixed-network service management, project evaluation and coordination
	Network Technical Support Division	Mobile network technical support Fixed network technical support IP-based network technical support
	Network Operations and Maintenance Division – Northern I, Northern II, Central and Southern Regions	Mobile and fixed network construction, expansion, operation, maintenance and optimization, including core, transmission and radio networks Network construction management and technical support



Division		Scope of responsibilities
Consumer Business Group	Acquisition and Loyalty Marketing Division	Develop and execute strategies to acquire new customers, increase customer loyalty and lower churn rates for postpaid users Develop strategies for prepaid business Conduct customer analysis and market surveys
	Marketing Communications Division	Manage TWM Group corporate and brand identity, brand strategy development and marketing communications Develop and manage store signage/interior design, brand and marketing communications and digital marketing activities Integrate and operate company website, including digital marketing communication, online sales and services
	Devices and Accessories Division	Devices planning and management Accessories and revenue sources development Handset sales and distribution
	IoT and Platform Service Division	Develop consumer well-being IoT ecosystem by connecting myAir, mySports and myAngel services to capture future opportunities. Build market-leading service platforms, including an enterprise instant messenger, a content portal and big data marketing tools
	Mobile Advertising Division	Provide mobile advertising solutions based on big data analysis
	Mobile Commerce Division	Develop and manage mobile commerce for myfone shopping, with a focus on 3C and Smart Home merchandise
	Music Business Division	Oversee myMusic business management, strategic planning, product development, marketing and operations
	Video Business Division	Oversee myVideo business management, strategic planning, content and product development, marketing and operations
	Digital Media Division	Digital content and digital gaming business strategic planning, product development, marketing and operations Direct carrier billing service and VAS business development and operations Smarter Home business strategy development and business operations
	Customer Service Division	Customer service and call center management Telemarketing sales and customer retention
	Channel Strategy and Management Office	Channel strategy development and performance management Channel sales support, store display design, and in-store activities planning and execution Sales training program planning and service quality management
	Business Operations Management Division	Store operating system optimization and standards formulation Channel operation quality assurance to minimize corporate business risk Sales channel resources management and commission/awards calculation
	Franchise Division	Supervise franchisees' product promotions, distribution and customer service
	Open Channel Sales Division	Open channel development, distribution and management of postpaid/prepaid products
	Direct Sales Division – Northern I, Northern II, Central and Southern Regions	Product sales, customer service and project execution at company stores

Division	Scope of responsibilities
Enterprise Business Group	<p>Strategy development and business analysis</p> <p>Direct sales and channel development and customer relationship management</p> <p>Intercarrier relations and international business (including international roaming)</p> <p>planning and implementation</p>
Home Business Group	<p>Implementation of integrated technology solutions to develop new products and VAS so as to increase video and broadband internet access penetration rates and overall revenue</p> <p>Expansion of two-way optical network to broaden coverage and ensure better internet access quality and stable cable signals</p>

## Board of Directors and Executive Management

### Board of Directors

The board of directors, acting on behalf of the Company's shareholders, is charged with the task of supervising the management team. Composed of nine experienced directors, the board includes four independent directors who are well-known in the legal, financial, telecommunications and information technology fields. This more than fulfills current regulations requiring public companies to have at least two independent directors. The Audit Committee, composed entirely of independent directors, replaced board supervisors. Information on the Company's Eighth Board of Directors is detailed below:

As of February 24, 2020

Title	Name	Gender	Date elected	Term expires	Shareholding when elected		Current shareholding (Note 1)		Spouse's/minor's shareholdings (Note 1)		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	Fu Chi Investment Co., Ltd. Representative: Daniel M. Tsai	Male	2017.06.14	2020.06.13	5,748,763	0.168	5,748,763 *65,162,715 (Note 2)	0.164 *1.857	4,580,070	0.131	LLM, Georgetown University LLB, National Taiwan University Chairman, Fubon Financial Holding Co., Ltd. Chairman, Taipei Fubon Commercial Bank Co., Ltd. Chairman, Fubon Insurance Co., Ltd.	Director, Fubon Financial Holding Co., Ltd. Standing Director, Taipei Fubon Commercial Bank Co., Ltd. Chairman, Fubon Bank (Hong Kong) Ltd. Director, Fubon Bank (China) Co., Ltd. Chairman, Fubon Financial Holding Venture Capital Corp. Chairman, Fubon Sports & Entertainment Co., Ltd. Chairman, Ming Dong Co., Ltd. Chairman, Dao Ying Co., Ltd. Chairman, Tien Chien Co., Ltd. Chairman, Ti Kun Co., Ltd. Chairman, Hsi Po Lai Co., Ltd. Chairman, Yi Fu So Co., Ltd. Chairman, Chung Shing Development Co., Ltd. Chairman, Fubon Realtors Co., Ltd. Director, Fubon Construction Co., Ltd. Chairman, Kuo Chi Investment Co., Ltd. Director, Leading Mark Limited Chairman, Dun Fu Co., Ltd. Director, Lucky Way Ltd. Director, Rainbow Cheer Ltd. Director, Key Gain Ltd. Director, Ultimate Epoch Ltd. Director, Orientland International Ltd. Director, Oceana Glory Ltd. Director, Eagle Legacy Ltd. Director, DRJ Development Ltd. Director, Globotex International Ltd. Director, Cosgrove Global Ltd. Director, Vantage Horizon Global Ltd. Director, Star Top Ventures Co., Ltd. Director, Primerose Development Group Ltd. Director, Giver Concept Ltd. Director, Fame Dynasty Enterprises Limited Director, ABG-WTT Global Life Science Capital Partners GP Limited Chairman, Taiwan Cellular Co., Ltd. Chairman, Wealth Media Technology Co., Ltd. Chairman, Taipei New Horizon Co., Ltd. Chairman, Taiwan Fixed Network Co., Ltd. Director, Taiwan Teleservices & Technologies Co., Ltd. Chairman, TCC Investment Co., Ltd. Director, Taiwan Digital Service Co., Ltd. Chairman, Taihsin Property Insurance Agent Co., Ltd. Chairman, TFN Media Co., Ltd. Director, Win TV Broadcasting Co., Ltd. Chairman, TFN Union Investment Co., Ltd. Chairman, TCCI Investment and Development Co., Ltd. Chairman, TWM Venture Co., Ltd.	Director	Richard M. Tsai	Brother



Title	Name	Gender	Date elected	Term expires	Shareholding when elected		Current shareholding (Note 1)		Spouse's/minor's shareholdings (Note 1)		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director	Fu Chi Investment Co., Ltd. Representative: Richard M. Tsai	Male	2017.06.14	2020.06.13	5,748,763	0.168	5,748,763 *93,310,663	0.164 *2.659	5,086,496	0.145	MBA, Stern School of Business, New York University BBA, National Taiwan University Chairman, Fubon Securities Co., Ltd. Chairman, Taiwan Mobile Co., Ltd	Chairman, Fubon Financial Holding Co., Ltd. Chairman, Fubon Life Insurance Co., Ltd. Vice Chairman, Fubon Bank (Hong Kong) Ltd. Director, Ming Dong Co., Ltd. Director, Dao Ying Co., Ltd. Director, Tien Chien Co., Ltd. Director, Ti Kun Co., Ltd. Director, Hsi Po Lai Co., Ltd. Director, Yi Fu So Co., Ltd. Director, Colossians Co., Ltd. Director, Chung Shing Development Co., Ltd. Director, Fubon Realtors Co., Ltd. Director, Fubon Construction Co., Ltd. Director, Kuo Chi Investment Co., Ltd. Director, Cho Pharma, Inc. Director, International Advisory Board of the New York Philharmonic Director, Carnegie Hall Corp. Director, Lucky Way Ltd. Director, Rainbow Cheer Ltd. Director, Key Gain Ltd. Director, Ultimate Epoch Ltd. Director, Orientland International Ltd. Director, Oceana Glory Ltd. Director, Eagle Legacy Ltd. Director, DRJ Development Ltd. Director, Globotex International Ltd. Director, Cosgrove Global Ltd. Director, Vantage Horizon Global Ltd. Director, Total Formation Inc. Director, Star Top Ventures Co., Ltd. Director, Castle Lion Investments Ltd. Director, Penny Lane Investment Ltd. Director, Fame Dynasty Enterprises Ltd. Director, ABG-WTT Global Life Science Capital Partners GP Ltd. Director, Taiwan Cellular Co., Ltd. Director, Wealth Media Technology Co., Ltd. Director, Taiwan Fixed Network Co., Ltd. Director, TCC Investment Co., Ltd. Director, TFN Media Co., Ltd. Director, TFN Union Investment Co., Ltd. Director, TCCI Investment and Development Co., Ltd. Director, TWM Venture Co., Ltd.	Chairman Director	Daniel M. Tsai Chris Tsai	Brother Son

Title	Name	Gender	Date elected	Term expires	Shareholding when elected		Current shareholding (Note 1)		Spouse's/minor's shareholdings (Note 1)		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director	Fu Chi Investment Co., Ltd. Representative: Chris Tsai (Note 3)	Male	2017.06.14	2020.06.13	5,748,763	0.168	5,748,763 *3,130,427	0.164 *0.089	—	—	Bachelor of Economics, Wharton School of the University of Pennsylvania Special Assistant of Chief Investment Officer, Fubon Financial Holding Co., Ltd. US Equity Analyst, JPMorgan Chase & Co. of New York Fund Management Analyst, JPMorgan Chase & Co. of New York	Director, momo.com Inc. Director and President, Fubon Financial Holding Venture Capital Corp. Director and President, Fubon Sports & Entertainment Co., Ltd. Director and President, Fubon Stadium Co., Ltd. Director, Fubon Insurance Co., Ltd. Director, Fubon Land Development Co., Ltd. Director, Fubon Hospitality Management Co., Ltd. Director, AppWorks Ventures Co., Ltd. Vice Chairman, Shenzhen Tengfu Investment Co., Ltd. Responsible Person, Immanuel Investment Ltd. Director, Taipei New Horizon Co., Ltd. Director, Fubon Ellipse (Belgium) S.A. Director, Bow Bells House (Jersey) Ltd. Director, Fubon Ellipse (Jersey) Ltd. Director, Penny Lane Investment Ltd. Director ,Carter Lane (Guernsey) Ltd. Director, Wise Road Asset Management Ltd. Director, StemCyte International Ltd.	Director	Richard M. Tsai	Father
Director	TCC Investment Co., Ltd. Representative: Howard Lin (Note 4)	Male	2017.06.14	2020.06.13	200,496,761	5.861	200,496,761 *—	5.713 *—	—	—	PhD in Chemical Engineering, National Taiwan University President, Fubon Asset Management Co., Ltd. Manager, Technical & Development Dept., Grand Pacific Petrochemical Corp.	Director and Chief Investment Officer, Fubon Financial Holding Co., Ltd. Vice Chairman, Fubon Life Insurance Co., Ltd. Director, Fubon Asset Management Co., Ltd. Director, Fubon Health Management Corp. Director, Fu Yi Health Management Corp. Ltd.	—	—	—

Title	Name	Gender	Date elected	Term expires	Shareholding when elected		Current shareholding (Note 1)		Spouse's/minor's shareholdings (Note 1)		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director	TCC Investment Co., Ltd. Representative: Jamie Lin (Note 5)	Male	2017.06.14	2020.06.13	200,496,761	5.861	200,496,761	5.713	—	—	MBA, NYU Stern School of Business BS in Chemical Engineering with a minor in Economics, National Taiwan University Co-founder/VP of Products, Social Sauce Associate, HSS Ventures Co-founder/GM of Great China, Intumit	President, Taiwan Mobile Co., Ltd. Chairman, AppWorks Ventures Chairman, AppWorks Fund I Chairman, AppWorks Fund II Chairman, AppWorks Fund III Chairman, AppWorks Capital Chairman, Chen Feng Investment Chairman, Chen Yun Investment Chairman, Chen Men Ltd. Director, Winbond Electronics Corp. Director, 91APP Inc. Director, Intowow Innovation Director, EMQ Ltd. Director, Pickone Director, LINE Bank Taiwan Ltd. Director and President, Taiwan Cellular Co., Ltd. President, TWM Venture Co., Ltd. Director and President, Wealth Media Technology Co., Ltd. Director, Taipei New Horizon Co., Ltd. President, Taiwan Fixed Network Co., Ltd. Chairman, Taiwan Teleservices & Technologies Co., Ltd. Director, TWM Holding Co., Ltd. President, TCC Investment Co., Ltd. Chairman, Taiwan Digital Service Co., Ltd. Director, Taihsin Property Insurance Agent Co., Ltd. Director and President, TFN Media Co., Ltd. Chairman and President, Global Forest Media Technology Co., Ltd. Chairman and President, Global Wealth Media Technology Co., Ltd. Chairman, Win TV Broadcasting Co., Ltd. Director, momo.com Inc. President, TFN Union Investment Co., Ltd. President, TCCI Investment and Development Co., Ltd. Chairman, Taiwan Kuro Times Co., Ltd. Chairman, Yeong Jia Leh Cable TV Co., Ltd. Chairman, Phoenix Cable TV Co., Ltd. Chairman, Union Cable TV Co., Ltd. Chairman, Globalview Cable TV Co., Ltd.	—	—	—
Independent Director	Jack J.T. Huang	Male	2017.06.14	2020.06.13	—	—	—	—	—	—	SJD, Harvard University LLM, Northwestern University LLB, National Taiwan University	Chairman of Remuneration and Nomination Committee and Member of Audit Committee, Taiwan Mobile Co., Ltd. Founder and Chairman, Taiwan Renaissance Corp. Special Adviser to the CEO, Yulon Group Independent Director, WPG Holdings Co., Ltd. Independent Director, Systex Corp. Independent Director, CTCI Corp. Director, Yulon Motor Co., Ltd. Director, Taiwania Capital Buffalo Fund Co., Ltd. Director, Taiwania Capital Biotechnology Co., Ltd.	—	—	—



Title	Name	Gender	Date elected	Term expires	Shareholding when elected		Current shareholding (Note 1)		Spouse's/minor's shareholdings (Note 1)		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Independent Director	Hsueh-Jen Sung	Male	2017.06.14	2020.06.13	—	—	—	—	—	—	MBA, Harvard University MBA, National Chengchi University BS in Management Science, National Chiao Tung University Vice Chairman and Member of Global Partnership Committee and Asian Management Committee, Goldman Sachs (Asia) Ltd. President and CEO, Grand Cathay Securities Corp. Country Manager, Westpac Banking Corp.	Chairman of Audit Committee and Member of Remuneration and Nomination Committee, Taiwan Mobile Co., Ltd. Chairman, Vauluse Capital Management Ltd. Chairman, Shin Chiuan Capital Management Ltd.	—	—	—
Independent Director	Char-Dir Chung	Male	2017.06.14	2020.06.13	—	—	—	—	—	—	PhD and MS in Electrical Engineering, University of Southern California BS in Electrical Engineering, National Taiwan University Minister without Portfolio, Executive Yuan Member / Deputy Convener / Executive Secretary, Board of Science and Technology, Executive Yuan Member / Deputy Convener / Executive Secretary, National Information and Communications Initiative Committee, Executive Yuan Deputy Executive Secretary, Science and Technology Advisory Group, Executive Yuan Convener, Performance Evaluation Committee of Technology Development Program, Ministry of Economic Affairs SIS Chair Professor, National Taiwan University Chairman, Department of Communication Engineering, National Central University Director, Graduate Institute of Communication Engineering, National Central University	Member of Audit Committee and Remuneration and Nomination Committee, Taiwan Mobile Co., Ltd. Distinguished Professor, Department of Electrical Engineering and Graduate Institute of Communication Engineering, National Taiwan University IEEE Fellow	—	—	—
Independent Director	Hsi-Peng Lu	Male	2019.06.12	2020.06.13	—	—	—	—	—	—	Ph.D. in Industrial Engineering, University of Wisconsin Madison Dean, Management School, National Taiwan University of Science and Technology Dean, Honor College, National Taiwan University of Science and Technology Dean, Student Affairs Office, National Taiwan University of Science and Technology Chair, Department of Information Management, National Taiwan University of Science and Technology	Member of Audit Committee and Remuneration and Nomination Committee, Taiwan Mobile Co., Ltd. Professor, Department of Information Management, National Taiwan University of Science and Technology, ROC Independent Director, Yuen Foong Yu Investment Holding Co., Ltd. Independent Director, Shui-Mu International Co., Ltd. Independent Director, 91APP Inc. Chairman, Liang Shing Eclife Co., Ltd.	—	—	—

\* Personal shareholdings

Note 1: Shareholdings of less than 0.001% are denoted as “0.000” and zero shareholdings are denoted as “—”.

Note 2: 30,000,000 shares held in trust were not included.

Note 3: Fu Chi Investment Co., Ltd. appointed Chris Tsai as its representative, taking over San-Cheng Chang's duties on May 1, 2019.

Note 4: Howard Lin served as a representative of an institutional director of TWM from June 13, 2008 to September 18, 2009.

Note 5: TCC Investment Co., Ltd. appointed Jamie Lin as its representative, taking over James Jeng's duties on April 1, 2019. Jamie Lin was elected as an independent director on June 12, 2018 and resigned on February 11, 2019.

## 1. Major shareholders of TWM's institutional investors

As of February 24, 2020

Institutional investor	Major shareholders
Fu-Chi Investment Co., Ltd.	Richard M. Tsai (50.25%), Mei-Hui Ueng Tsai (49.75%)
TCC Investment Co., Ltd.	Taiwan Cellular Co., Ltd. (100%)

## 2. Major shareholders of companies mentioned on the right hand side of the table above

As of February 24, 2020

Company	Major shareholders
Taiwan Cellular Co., Ltd.	Taiwan Mobile Co., Ltd. (100%)

## 3. Qualifications and independence criteria of directors

As of February 24, 2020

Name	Over five years of experience in business, finance, legal and/or other areas related to the Company's business	Independence criteria (Notes)												No. of public companies in which he or she also serves as an independent director
		1	2	3	4	5	6	7	8	9	10	11	12	
Daniel M. Tsai	V	V					V		V	V		V		0
Richard M. Tsai	V	V					V		V	V		V		0
Chris Tsai	V	V		V		V	V		V	V		V		0
Howard Lin	V	V		V	V		V		V	V	V	V		0
Jamie Lin	V			V	V		V		V	V	V	V		0
Jack J.T. Huang	V	V	V	V	V	V	V	V	V	V	V	V	V	3
Hsueh-Jen Sung	V	V	V	V	V	V	V	V	V	V	V	V	V	0
Char-Dir Chung	V	V	V	V	V	V	V	V	V	V	V	V	V	0
Hsi-Peng Lu	V	V	V	V	V	V	V	V	V	V	V	V	V	2

"V" denotes meeting the conditions specified above

Criterion 1: Not an employee of the Company or its affiliates

Criterion 2: Not a director or supervisor of the Company or its affiliates (unless the person is an independent director of the Company, the Company's parent company or any subsidiary of the Company)

Criterion 3: Not a shareholder whose total holdings, including those of his/her spouse and minor children, or shares held under others' names, reach or exceed 1 percent of the total outstanding shares of the Company or rank among the top 10 individual shareholders

Criterion 4: Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a manager under subparagraph 1 or any of the persons in the preceding two subparagraphs.

Criterion 5: Neither a director, supervisor, or employee of an entity that directly and/or indirectly holds more than 5% of the Company's shares, nor one of the Company's top five shareholders, or director, supervisor or employee of a corporate shareholder who appoints a representative as a director or supervisor of the Company in accordance with Article 27, paragraph 1 or 2 of the Company Act

Criterion 6: Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a person that also controls the same of the company.

Criterion 7: Not a director, supervisor, or employee of a company or institution of which the chairman, president (or equivalent) himself/herself or his/her spouse also serves as the company's chairman, president (or equivalent)

Criterion 8: Not a director, supervisor, manager, or shareholder owning more than 5% of the outstanding shares of any company that has financial or business relations with the Company

Criterion 9: Not a professional, owner, partner, director or supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in

the past two years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

Criterion 10: Not a spouse or relative within second degree by affinity to other directors

Criterion 11: Not in contravention of Article 30 of the Company Act

Criterion 12: Not an institutional shareholder or its representative pursuant to Article 27 of the Company Act

#### 4. Diversified board of directors

- TWM's "Corporate Governance Best Practice Principles" call for the creation of a diversified board of directors.

The composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of board members, and that an appropriate policy on diversity based on the company's business operations, operating dynamics and development needs shall be formulated and include, without being limited to, the following two guidelines:

- Basic requirements: Gender, age, nationality and culture
  - Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing and technology), professional skills and industry experience
- All members of the board shall have the knowledge, skills and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, board directors shall possess the following:
    - Ability to make operational judgments
    - Ability to perform accounting and financial analysis
    - Ability to conduct management administration
    - Ability to conduct crisis management
    - Industry knowledge
    - A global market perspective
    - Ability to lead
    - Ability to make policy decisions

Board members	Communication industry experience (Years)	Tenure of directors/ independent directors (Years)	Top five core competencies									
			Finance	Law	Business	Technology	Investment and M&A	FinTech	Information Technology	Risk Management	CEO/Senior management	Consumer Discretionary (E-commerce/ Marketing)
Daniel M. Tsai	21	21	V	V	V			V			V	
Richard M. Tsai	21	21	V		V		V	V			V	
Chris Tsai	1	1	V		V			V			V	V
Howard Lin	7	7	V		V		V				V	V
Jamie Lin	5	2	V		V	V	V					V
Jack J.T. Huang	17	17		V	V		V			V	V	
Hsueh-Jen Sung	6	6	V		V		V	V			V	
Char-Dir Chung	31	3				V			V	V	V	V
Hsi-Peng Lu	3	1				V		V	V		V	V



## Management Team

As of February 24, 2020

Title / Division	Name	Effective date	Shareholding / %	Spouse's/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
President	Jamie Lin	2019.04.01	—	—	MBA, NYU Stern School of Business BS in Chemical Engineering with a minor in Economics, National Taiwan University Co-founder/VP of Products, Social Sauce Associate, HSS Ventures Co-founder/GM of Great China, Intumit	Director, Taiwan Mobile Co., Ltd. Chairman, AppWorks Ventures Chairman, AppWorks Fund I Chairman, AppWorks Fund II Chairman, AppWorks Fund III Chairman, AppWorks Capital Chairman, Chen Feng Investment Chairman, Chen Yun Investment Chairman, Chen Men Ltd. Director, Winbond Electronics Corp. Director, 91APP Inc. Director, Intowow Innovation Director, EMQ Ltd. Director, Pickone Director, LINE Bank Taiwan Ltd. Director and President, Taiwan Cellular Co., Ltd. President, TWM Venture Co., Ltd. Director and President, Wealth Media Technology Co., Ltd. Director, Taipei New Horizon Co., Ltd. President, Taiwan Fixed Network Co., Ltd. Chairman, Taiwan Teleservices & Technologies Co., Ltd. Director, TWM Holding Co., Ltd. President, TCC Investment Co., Ltd. Chairman, Taiwan Digital Service Co., Ltd. Director, Taihsin Property Insurance Agent Co., Ltd. Director and President, TFN Media Co., Ltd. Chairman and President, Global Forest Media Technology Co., Ltd. Chairman and President, Global Wealth Media Technology Co., Ltd. Chairman, Win TV Broadcasting Co., Ltd.	—	—	—

Title / Division	Name	Effective date	Shareholding / %	Spouse's/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
						Director, momo.com Inc. President, TFN Union Investment Co., Ltd President, TCCI Investment and Development Co., Ltd. Chairman, Taiwan Kuro Times Co., Ltd. Chairman, Yeong Jia Leh Cable TV Co., Ltd. Chairman, Phoenix Cable TV Co., Ltd. Chairman, Union Cable TV Co., Ltd. Chairman, Globalview Cable TV Co., Ltd			
Executive Vice President and Chief Financial Officer / Finance and Administration Group	Rosie Yu	2014.04.29	—	—	BS in Business Administration, National Taiwan University Senior Vice President and Chief Financial Officer, Taiwan Mobile Co., Ltd. Chairman, Global Investment Advisory (HK) Ltd. President, Global Investment Holdings Co., Ltd. General Manager, Credit Lyonnais Securities (Asia) Ltd., Taipei Branch General Manager, Citicorp International Securities Ltd., Taipei Branch Executive Vice President, China Securities Co., Ltd.	Director, Taiwan Kuro Times Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Union Cable TV Co., Ltd. Director, Globalview Cable TV Co., Ltd. Director, Taiwan Pelican Express Co., Ltd. Supervisor, Taiwan Cellular Co., Ltd. Supervisor, TWM Venture Co., Ltd. Supervisor, Wealth Media Technology Co., Ltd. Supervisor, Taiwan Fixed Network Co., Ltd. Supervisor, Taiwan Teleservices & Technologies Co., Ltd. Supervisor, TCC Investment Co., Ltd. Supervisor, Taiwan Digital Service Co., Ltd. Supervisor, TFN Media Co. Ltd. Supervisor, Global Forest Media Technology Co., Ltd. Supervisor, Global Wealth Media Technology Co., Ltd. Supervisor, Win TV Broadcasting Co., Ltd. Supervisor, TFN Union Investment Co., Ltd. Supervisor, TWM Communications (Beijing) Co., Ltd. Supervisor, TCCI Investment and Development Co., Ltd.	—	—	—

Title / Division	Name	Effective date	Shareholding / %	Spouse's/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Vice President / Finance and Administration Group	Jay Hong	2004.05.06	—	—	EMBA, National Sun Yat-sen University President, Taiwan Teleservices & Technologies Co., Ltd. Vice President, Direct Store Division, Taiwan Mobile Co., Ltd. Vice President, Customer Service Division, TransAsia Telecommunications Inc. Director, Procurement Division, TransAsia Telecommunications Inc.	Supervisor, Yeong Jia Leh Cable TV Co., Ltd. Supervisor, Phoenix Cable TV Co., Ltd. Supervisor, Union Cable TV Co., Ltd. Supervisor, Globalview Cable TV Co., Ltd.	—	—	—
Vice President / Finance and Administration Group	Shirley Chu	2019.07.01	—	—	MBA, Fuqua School, Duke University BA Economics, National Taiwan University Director, Equity Research, UBS Analyst, Equity Research, Credit Lyonnais Securities (Asia)	None	—	—	—
Vice President / Finance and Administration Group	Joan Hung	2019.07.01	—	—	MS in HRD, Georgia State University Senior Director of Human Resources and Administration, Taiwan Mobile Co., Ltd. Senior Manager of Human Resources, Mobitai Communications Co., Ltd. Assistant Manager, Tsannkuen Co., Ltd.	None	—	—	—
Vice President and General Counsel / Corporate Affairs	Ariel Hwang	2016.04.28	—	—	EMBA, National Taiwan University LLM, National Chung Hsing University LLB, National Taiwan University Judge, Taiwan High Court and District Court	Supervisor, Taipei New Horizon Co., Ltd. Supervisor, Yeong Jia Leh Cable TV Co., Ltd. Supervisor, Phoenix Cable TV Co., Ltd. Supervisor, Union Cable TV Co., Ltd. Supervisor, Globalview Cable TV Co., Ltd. Supervisor, Tai-Fu Cloud Technology Co., Ltd. Legal Consultant, Fubon Financial Holding Co., Ltd. Independent Director, The Ambassador Hotel Co., Ltd. Independent Director, TYNTEK Corp.	—	—	—

Title / Division	Name	Effective date	Shareholding / %	Spouse's/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Vice President and Chief Data Officer / Corporate Affairs	Eddie Chan	2019.01.31	—	—	MBA, The Anderson School of Management, UCLA BS in Mechanical Engineering, National Taiwan University Senior Director, Taiwan Mobile Co., Ltd. Executive Director, Aplix Corp. General Manager, Wireless Business Unit, Quanta Computer Engagement Manager, McKinsey & Company	None	—	—	—
Vice President / Corporate Affairs	Iris Liu	2014.07.14	—	—	EMBA, National Chengchi University BA in Information Communication, Tamkang University Vice President, Taiwan Television Enterprise Ltd. Chairman, TTV Cultural Enterprise Ltd.	Vice President, Taipei New Horizon Co., Ltd.	—	—	—
Vice President / Corporate Affairs	Naomi Lee	2015.08.03	—	—	LLB, National Taiwan University General Counsel, Kbro Co., Ltd. Attorney, InfoShare Tech Law Office Legal Director and Vice President, Taiwan Broadband Communications Senior Legal Manager, Lucent Technologies Attorney, Lee and Li Attorneys-at-Law Attorney, Russin & Vecchi International Legal Counselors	None	—	—	—



Title / Division	Name	Effective date	Shareholding / %	Spouse's/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Vice President / Corporate Affairs	C.H. Wu	2016.09.26	—	—	MS in Electrical and Computer Engineering, University of Rochester BS in Electrical Engineering, National Taiwan University Vice President, Applied Computing Group, Advantech Co., Ltd. General Manager, Taiwan, Symantec Corp. General Manager, Taiwan, Cisco Systems, Inc. System Engineer/Sales Manager, IBM Corp.	Officer-in-charge, System Integration Branch Office, Taiwan Mobile Co., Ltd. Chief Business Officer, Taiwan Fixed Network Co., Ltd. Director, Taihsin Property Insurance Agent Co., Ltd. Chairman and President, Tai-Fu Cloud Technology Co., Ltd. Director, Global Forest Media Technology Co., Ltd. Director, Global Wealth Media Technology Co., Ltd. Director, TWM Communications (Beijing) Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Union Cable TV Co., Ltd. Director, Globalview Cable TV Co., Ltd.	—	—	—
Vice President and Chief Information Officer / Information Technology Group	James Chang	2017.01.25	163,084/0.005	—	MS in Computer Science, University of Illinois at Chicago Director, AT&T Laboratories Senior Director, TBCommerce Network Corp. Senior Delivery Manager, IBM Global Services District Manager, AT&T Laboratories	Director, TWM Communications (Beijing) Co., Ltd.	—	—	—

Title / Division	Name	Effective date	Shareholding / %	Spouse's/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Senior Vice President and Chief Technology Officer / Technology Group	Tom Koh	2019.07.25	—	—	PhD in Electrical and Computer Engineering, Johns Hopkins University Senior Director, Qualcomm Senior Technical Marketing Engineer, Cisco-Linksys Senior Sales Engineer, Ensemble Communications Senior Technologist, Motorola Member of Tech Staff, Bellcore	Director, Global Forest Media Technology Co., Ltd. Director, Global Wealth Media Technology Co., Ltd. Director and President, TWM Communications (Beijing) Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Union Cable TV Co., Ltd. Director, Globalview Cable TV Co., Ltd. Supervisor, Taiwan Kuro Times Co., Ltd.	—	—	—
Vice President / Consumer Business Group	Steve Chou	2011.04.25	—	—	MBA, Southern Methodist University, Texas Senior Vice President, Customer Service, HSBC Bank General Manager, Secured Lending, Standard Chartered Bank Vice President, Customer Service, Sparq Telecom Vice President, Customer Service, TransAsia Telecommunications Inc. Assistant Vice President, Credit Card, Citibank, N.A.	President, Taiwan Teleservices & Technologies Co., Ltd.	—	—	—
Vice President / Consumer Business Group	Daphne Lee	2014.07.07	—	—	MBA, National Chengchi University Director, Alibaba Group Director, Yahoo! Taiwan Vice President, Citibank Taiwan	Director and President, Taiwan Kuro Times Co., Ltd. Director, Mistake Entertainment Co., Ltd.	—	—	—

Title / Division	Name	Effective date	Shareholding / %	Spouse's/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Vice President / Consumer Business Group	David Lin	2016.05.03	—	—	MS in Communication Convergence and Innovative Management, Shih Hsin University General Manager, YMS/CPT/HTP/DWS CATV, Kbro Co., Ltd. Vice President, Business & Operation and Special Assistant to Chairman, Kbro Co., Ltd. Special Assistant to Chairman, Vibo Telecom Vice President, Asia Pacific Telecom	None	—	—	—
Vice President / Consumer Business Group	Michael Teng	2017.01.03	—	—	BS in Industrial Engineering, Chung Yuan Christian University Senior Director, Taiwan Mobile Co., Ltd. Vice President, Taiwan Tele-Shop Co., Ltd.	President, Taiwan Digital Service Co., Ltd.	—	—	—

Note1: Shareholdings of less than 0.001% are denoted as "0.000" and zero shareholdings are denoted as "—".

Note2: Shares purchased through the employee share ownership trust (ESOT) program are not included in the table above.

Shares held by the management team through the ESOT program are listed as follows: Jamie Lin - 524 shares, Rosie Yu - 3,239 shares, Ariel Hwang - 12,565 shares, James Chang - 7,295 shares, Eddie Chan - 2,325 shares, Iris Liu—1,019 shares, Jay Hong - 12,565 shares, Joan Hung - 4,848 shares, Michael Teng - 12,565 shares, Steve Chou - 5,709 shares and Daphne Lee - 3,466 shares.

Compensation to Directors and Management Executives

1. Directors’ compensation

Unit: NT\$

Title	Name	Representative	Directors' compensation								A+B+C+D as a % of net profit		Compensation as an employee								A+B+C+D+E+F+G as a % of net profit		Compensation from investees other than subsidiaries
			Cash compensation (A)		Pension (B)		Director's remuneration (C)		Professional fee (D)				Performance-based salary (E)		Retirement pay of employees (F)		Earnings paid as bonus to employees (G)						
			Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone		Consolidated		Stand-alone	Consolidated	
																	Cash	Stock	Cash	Stock			
Chairman	Fu-Chi Investment Co., Ltd.	Daniel M. Tsai	35,038,536	35,458,536	-	-	22,840,451	22,840,451	3,813,071	4,299,071	0.4943%	0.5015%	26,323,869	26,323,869	27,000	27,000	4,759,200	-	4,759,200	-	0.7435%	0.7508%	1,100,750
Director	Fu-Chi Investment Co., Ltd.	Richard M. Tsai																					
Director	Fu-Chi Investment Co., Ltd.	Chris Tsai (Mr. Tsai was elected on May 1, 2019)																					
Director	TCC Investment Co., Ltd.	Howard Lin																					
Director	TCC Investment Co., Ltd.	Jamie Lin (Mr. Lin was elected on April 1, 2019)																					
Director	Fu-Chi Investment Co., Ltd.	San-Cheng Chang (Mr. Chang resigned on May 1, 2019)																					
Director	TCC Investment Co., Ltd.	James Jeng (Mr. Jeng resigned on April 1, 2019)																					
Independent Director	Jack J.T. Huang		-	-	-	-	20,947,507	20,947,507	1,060,000	1,060,000	0.1763%	0.1763%	-	-	-	-	-	-	-	-	0.1763%	0.1763%	
Independent Director	Hsueh-Jen Sung																						
Independent Director	Char-Dir Chung																						
Independent Director	Hsi-Peng Lu (Mr. Lu was elected on June 21, 2019)																						
Independent Director	Jamie Lin ( Mr. Lin resigned on February 11, 2019)																						

Note 1: According to the Company's Articles of Incorporation and the Rules for Setting Director's Remuneration, directors' remuneration is determined based on their duties, risks and involvement. The Remuneration and Nomination Committee reviews the compensation mechanism periodically.

Note 2: The figures in the table include expenses for company cars and gasoline reimbursement, but do not include compensation paid to company drivers, which totaled NT\$808,365.

Note 3: In addition to the above table, remuneration paid to directors for their services to all consolidated entities (such as consultants who are not employees) totaled NT\$11,800,008. .



## 2. Range of compensation to directors

Range of compensation to directors	Name of directors			
	Directors' compensation		Director's compensation + Compensation as an employee	
	On a stand-alone basis	On a consolidated basis	On a stand-alone basis	On a consolidated basis
NT\$0~NT\$999,999	San-Cheng Chang, Howard Lin, Chris Tsai, James Jeng, Jamie Lin	San-Cheng Chang, Howard Lin, Chris Tsai, James Jeng	San-Cheng Chang, Howard Lin, Chris Tsai	San-Cheng Chang, Howard Lin, Chris Tsai
NT\$1,000,000~NT\$1,999,999	—	Jamie Lin	—	—
NT\$2,000,000~NT\$3,499,999	Richard M. Tsai, Hsi-Peng Lu	Richard M. Tsai, Hsi-Peng Lu	Richard M. Tsai, Hsi-Peng Lu	Richard M. Tsai, Hsi-Peng Lu
NT\$3,500,000~NT\$4,999,999	—	—	—	—
NT\$5,000,000~NT\$9,999,999	TCC Investment Co., Ltd., Jack J.T. Huang, Hsueh-Jen Sung, Char-Dir Chung	TCC Investment Co., Ltd., Jack J.T. Huang, Hsueh-Jen Sung, Char-Dir Chung	TCC Investment Co., Ltd., Jack J.T. Huang, Hsueh-Jen Sung, Char-Dir Chung	TCC Investment Co., Ltd., Jack J.T. Huang, Hsueh-Jen Sung, Char-Dir Chung
NT\$10,000,000~NT\$14,999,999	—	—	James Jeng	James Jeng
NT\$15,000,000~NT\$29,999,999	Fu-Chi Investment Co., Ltd.	Fu-Chi Investment Co., Ltd.	Fu-Chi Investment Co., Ltd., Jamie Lin	Fu-Chi Investment Co., Ltd., Jamie Lin
NT\$30,000,000~NT\$49,999,999	Daniel M. Tsai	Daniel M. Tsai	Daniel M. Tsai	Daniel M. Tsai
NT\$50,000,000~NT\$99,999,999	—	—	—	—
NT\$100,000,000 and above	—	—	—	—
Total	13	13	13	13

### 3. Management executives' compensation

Unit: NT\$

<b>Title and name</b>	President, Jamie Lin; Executive Vice President and Chief Financial Officer, Rosie Yu; Senior Vice President and Chief Technology Officer, Tom Koh; Vice President and General Counsel, Ariel Hwang; Vice President and Chief Information Officer, James Chang; Vice President and Chief Data Officer, Eddie Chan; Vice President, Jay Hong; Vice President, Iris Liu; Vice President, Naomi Lee; Vice President, C.H. Wu; Vice President, Shirley Chu; Vice President, Joan Hung; Vice President, Steve Chou; Vice President, Daphne Lee; Vice President, David Lin; Vice President, Michael Teng <u>Resigned managers:</u> President, James Jeng; Senior Vice President and Chief Business Officer, Jeff Ku		Total
<b>Salary (A)</b>	Stand-alone		86,207,780
	Consolidated		86,567,780
<b>Pension (B) *</b>	Stand-alone		1,584,000
	Consolidated		1,584,000
<b>Performance-based salary (C)</b>	Stand-alone		38,643,586
	Consolidated		38,803,465
<b>Earnings paid as bonus to employees (D)</b>	Stand-alone	Cash	33,725,700
		Stock	—
	Consolidated	Cash	33,725,700
		Stock	—
<b>A+B+C+D as a % of net profit</b>	Stand-alone		1.2832%
	Consolidated		1.2874%
<b>Compensation from investees other than subsidiaries</b>			1,125,750

\* The Company's contribution to employees' pension account, not actual amount paid.

Note: Figures do not include compensation paid to company drivers, which totaled NT\$2,270,821.

### 4. Range of compensation to management executives

Range of compensation to management executives	Name of management executives	
	On a stand-alone basis	On a consolidated basis
NT\$0~NT\$999,999	—	—
NT\$1,000,000~NT\$1,999,999	—	—
NT\$2,000,000~NT\$3,499,999	—	—
NT\$3,500,000~NT\$4,999,999	—	—
NT\$5,000,000~NT\$9,999,999	Jeff Ku, Tom Koh, Ariel Hwang, James Chang, Eddie Chan, Jay Hong, C.H. Wu, Steve Chou, Shirley Chu, Joan Hung, Iris Liu, Naomi Lee, Daphne Lee, David Lin, Michael Teng	Jeff Ku, Tom Koh, Ariel Hwang, James Chang, Eddie Chan, Jay Hong, C.H. Wu, Steve Chou, Shirley Chu, Joan Hung, Iris Liu, Naomi Lee, Daphne Lee, David Lin, Michael Teng
NT\$10,000,000~NT\$14,999,999	James Jeng	James Jeng
NT\$15,000,000~NT\$29,999,999	Jamie Lin, Rosie Yu	Jamie Lin, Rosie Yu
NT\$30,000,000~NT\$49,999,999	—	—
NT\$50,000,000~NT\$99,999,999	—	—
NT\$100,000,000 and above	—	—
Total	18	18

Note: Compensation paid to managers in the above table was based on tenure. Compensation paid to managers who also served as directors is detailed in the "Directors' compensation" table.

## 5. Compensation mix of management executives

Title and name	Salary and pension	Performance-based salary	Earnings paid as bonus to employees
President, Jamie Lin	41.3%	29.6%	29.1%
Executive Vice President and Chief Financial Officer, Rosie Yu	47.5%	25.5%	27.0%
Senior Vice President and Chief Technology Officer, Tom Koh	47.2%	26.5%	26.3%
Vice President and General Counsel, Ariel Hwang	49.1%	26.7%	24.2%
Vice President and Chief Information Officer, James Chang	55.7%	24.9%	19.4%
Vice President and Chief Data Officer, Eddie Chan	54.9%	26.0%	19.1%
Vice President, Jay Hong	52.4%	21.8%	25.8%
Vice President, Iris Liu	50.1%	27.1%	22.8%
Vice President, Naomi Lee	56.1%	25.9%	18.0%
Vice President, C.H. Wu	56.0%	24.6%	19.4%
Vice President, Shirley Chu	33.8%	33.1%	33.1%
Vice President, Joan Hung	34.1%	32.5%	33.4%
Vice President, Steve Chou	49.8%	25.7%	24.5%
Vice President, Daphne Lee	55.0%	27.4%	17.6%
Vice President, David Lin	48.8%	28.6%	22.6%
Vice President, Michael Teng	50.5%	26.6%	22.9%
President, James Jeng*	97.1%	2.9%	0.0%
Senior Vice President and Chief Business Officer, Jeff Ku *	84.0%	16.0%	0.0%

\* Resigned

## 6. Manager and employee bonuses

Unit: NT\$  
As of February 24, 2020

Title and name	Stock bonus	Cash bonus	Total	As a % of net profit
President, Jamie Lin Executive Vice President and Chief Financial Officer, Rosie Yu Senior Vice President and Chief Technology Officer, Tom Koh Vice President and General Counsel, Ariel Hwang Vice President and Chief Information Officer, James Chang Vice President and Chief Data Officer, Eddie Chan Vice President, Jay Hong Vice President, Iris Liu Vice President, Naomi Lee Vice President, C.H. Wu Vice President, Shirley Chu Vice President, Joan Hung Vice President, Steve Chou Vice President, Daphne Lee Vice President, David Lin Vice President, Michael Teng	-	33,725,700	33,725,700	0.2702%

## Compensation of directors and management executives as a percentage of net income over the past two years and guiding principles

### 1. Directors' compensation

Unit: NT\$

Type	Year	Directors' compensation	Net income	As a % of net income
On a stand-alone basis	2018	114,836,628	13,642,172,236	0.8418%
	2019	114,809,634	12,481,166,870	0.9198%
On a consolidated basis	2018	130,591,878	13,642,172,236	0.9573%
	2019	116,816,384	12,481,166,870	0.9359%

### Guiding principles for compensation of directors

#### Remuneration policies, standards and package

- Directors' (including independent directors) remuneration and compensation are paid according to the Company's Articles of Incorporation and Rules for Setting Director's Remuneration as approved by the board. Remuneration or other equivalent allowance for directors is based on their involvement in the Company's operations, contribution to the Company, and industry norms. Compensation paid to directors is pursuant to the ratio specified in the Company's Articles of Incorporation, when the company makes a profit.
- Transportation allowances are paid based on attendance in board meetings and for services rendered as the chairman or a member of the Audit Committee or Remuneration and Nomination Committee.

### Procedures for setting remuneration

- (1) In accordance with the Company's Articles of Incorporation, compensation paid to directors shall not exceed 0.3% of the Company's annual profit after deducting losses from previous years.
- (2) Directors' remuneration and transportation allowances are determined in accordance with the Rules for Setting Director's Remuneration.

### Performance factor

According to the Company's Articles of Incorporation, directors' remuneration shall be based on the Company's operating profit. Each director's remuneration is assessed based on his/her contribution to the operations of the Company and the board. The Company has also set the Rules for Setting Director's Remuneration, and the Remuneration and Nomination Committee reviews the compensation mechanism periodically, taking future operating risks, environmental conservation and corporate social responsibility into consideration.

## 2. Compensation of management executives

Unit: NT\$

Type	Year	Compensation of management executives	Net profit	As a % of net profit
On a stand-alone basis	2018	152,607,876	13,642,172,236	1.1186%
	2019	160,161,066	12,481,166,870	1.2832%
On a consolidated basis	2018	153,044,487	13,642,172,236	1.1218%
	2019	161,806,695	12,481,166,870	1.2964%

### Guiding principles for compensation of management executives

#### Remuneration policies, standards and package

- (1) Compensation paid to the president and vice presidents comprises a fixed monthly salary and performance bonus.
- (2) Performance bonuses are determined based on the president's or the vice president's contribution to the Company and the results of an annual performance appraisal. The above-mentioned bonuses have been proposed by the Remuneration and Nomination Committee for approval at the board meeting.

#### Procedures for setting performance bonuses

- (1) In accordance with the Company's Articles of Incorporation, employee profit sharing shall come from a pool of 1% to 3% of the Company's annual net income after deducting losses from previous years.
- (2) Year-end bonuses are set based on the Company's performance and the annual budget approved by the board and the chairman.

#### Performance factor

- (1) Variable compensations in the form of employee profit sharing and performance-based bonuses account for approximately 50% of the remuneration and are determined based on the president's or vice president's contribution to the Company's operations. The Company shall review the compensation mechanism periodically, taking future operating risks, environmental conservation and corporate social responsibility into consideration.
- (2) The Human Resources Division is tasked with preparing the annual compensation for the president and vice presidents, and submitting a report to the Remuneration and Nomination Committee.

# Corporate Governance

## Board of Directors attendance

The Board of Directors convened five meetings in 2019

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Chairman	Fu Chi Investment Co., Ltd. Representative: Daniel M. Tsai	5	0	100%	None
Director	Fu Chi Investment Co., Ltd. Representative: Richard M. Tsai	5	0	100%	None
Director	Fu Chi Investment Co., Ltd. Representative: Chris Tsai (Note 1)	3	0	100%	Chris Tsai, who took office on May 1, 2019, was required to attend three board meetings.
Director	TCC Investment Co., Ltd. Representative: Howard Lin	5	0	100%	None
Director	TCC Investment Co., Ltd. Representative: Jamie Lin (Note 2)	4	0	100%	Jamie Lin, who took office on April 1, 2019, was required to attend four board meetings.
Independent Director	Jack J.T. Huang	5	0	100%	None
Independent Director	Hsueh-Jen Sung	5	0	100%	None
Independent Director	Char-Dir Chung	5	0	100%	None
Independent Director	Hsi-Peng Lu	3	0	100%	Hsi-Peng Lu, who was elected on June 12, 2019, was required to attend three board meetings.
Director	Fu Chi Investment Co., Ltd. Representative: San-Cheng Chang (Note 1)	2	0	100%	San-Cheng Chang, who resigned on May 1, 2019, was required to attend two board meetings.
Director	TCC Investment Co., Ltd. Representative: James Jeng (Note 2)	1	0	100%	James Jeng, who resigned on April 1, 2019, was required to attend one board meeting.
Independent Director	Jamie Lin (Note 2)	1	0	100%	Jamie Lin, who resigned on February 11, 2019, was required to attend one board meeting.

Note 1: Fu Chi Investment Co., Ltd. appointed Chris Tsai as its representative, taking over San-Cheng Chang's duties on May 1, 2019

Note 2: TCC Investment Co., Ltd. appointed Jamie Lin as its representative, taking over James Jeng's duties on April 1, 2018. Jamie Lin was elected as an independent director on June 12, 2018 and resigned on February 11, 2019.

Note 3: Attendance by all independent directors reached 100% in 2019.

### 1. Any objections or issues raised by independent directors against resolutions passed by the Board of Directors:

#### (1) Pursuant to Article 14-3 of the Securities and Exchange Act:

Not applicable. The Company has already established an audit committee.

#### (2) Other items not covered in the preceding table: None



## 2. Any recusals due to conflicts of interest:

Date	Name of directors	Proposal	Reasons for recusal	Participation in deliberation
2019.1.31	Jamie Lin	Election of President	Personal interest	Mr. Lin was excluded from the deliberations
	Daniel M. Tsai Richard M. Tsai Howard Lin	Acquisition or disposal of right-of-use assets	Interested party	All three were excluded from the deliberations
	Daniel M. Tsai Richard M. Tsai James Jeng	2018 performance evaluation and proposed year-end bonuses for chairman, vice chairman and managers by the Remuneration and Nomination Committee	Personal interest	All three were excluded from the deliberations
2019.4.30	Richard M. Tsai	Acquisition or disposal of right-of-use assets	Interested party	Mr. Tsai was excluded from the deliberations
	Daniel M. Tsai Richard M. Tsai Hsueh-Jen Sung	Removal of non-competition restrictions for board members	Personal interest	All three were excluded from the deliberations
2019.06.12	Jamie Lin	Personnel changes	Personal interest	Mr. Lin was excluded from the deliberations
	Jamie Lin	Acquisition of AppWorks Venture Co., Ltd. shares	Personal interest	Mr. Lin was excluded from the deliberations
2019.7.25	Jamie Lin	Distribution of 2018 bonus and adjustment of 2019 remuneration for the Company's managers and audit supervisor	Personal interest	Mr. Lin was excluded from the deliberations
	Daniel M. Tsai Richard M. Tsai	Distribution of 2018 bonuses and adjustment of 2019 remuneration for the Company's chairman and vice chairman	Personal interest	Messrs. Tsai were excluded from the deliberations
2019.11.8	Jamie Lin	Participation in 100%-owned TWM Venture Co., Ltd's rights issue to raise capital to acquire a major stake in AppWorks Fund III	Interested party	Mr. Lin was excluded from the deliberations
	Daniel M. Tsai Richard M. Tsai Chris Tsai Howard Lin	Acquisition or disposal of right-of-use assets	Interested party	All four were excluded from the deliberations

## 3. Other BoD objectives:

- (1) Training programs for directors: Aside from encouraging directors to attend outside seminars, the Company holds annual in-house seminars to facilitate interactions between lecturers and directors. The total number of training hours was 73 in 2019, which included programs such as "Big data analysis and detection of corporate fraud" and "Information security strategies for directors and supervisors."
- (2) Information transparency: Committed to upholding operational transparency and protecting shareholders' interests, the Company regularly discloses resolutions by the Board of Directors in a timely and consistent manner. In addition, the Company holds institutional investor conferences on a quarterly basis and has set up Chinese/English sections for Investor Relations, Corporate Social Responsibility and Corporate Governance on its official website.
- (3) Liability insurance: The Company provides its directors and managers with annual liability insurance to cover risks as they carry out their duties, and reviews the insurance coverage on an annual basis to make sure the amount and scope are sufficient to the need.
- (4) The Chairman of the Board of Directors is not a member of the Company's management team to ensure a system of checks and balances.

- (5) The Audit Committee and the Remuneration and Nomination Committee, composed entirely of independent directors, assist the Board of Directors in carrying out supervisory tasks. The chairperson of each committee reports on their committee's operations to the board on a regular basis.
- (6) The Company passed the Rules and Procedures on Evaluating Board of Directors' Performance to enhance efficiency, under which the Remuneration and Nomination Committee conducts an analysis and submits a report on proposed improvements to the board after annual performance evaluation. Board members completed a self-evaluation assessment in 2019.
- (7) To strengthen corporate governance and enhance the board's functions, the Board of Directors passed a proposal that independent directors should comprise at least 40% of the board, and that the Remuneration and Nomination Committee should be in charge of identifying and nominating competent candidates.

## Audit Committee attendance

The Audit Committee is responsible for reviewing the following:

- Financial reports
- Internal control systems and related policies, procedures and assessment of their effectiveness
- Compliance with Article 36-1 of the Securities and Exchange Act
- Material asset or derivatives transactions
- Material monetary loans, endorsements or guarantees
- Offering, issuance or private placement of any equity-type securities
- Fairness and rationality of the Company's M&A plans and transactions
- Any matter that has a bearing on the personal interest of a management executive or director
- Fraud investigation reports
- IT security
- Interacting and communicating with management and listening to business strategy development reports
- Hiring or dismissal of an attesting CPA, or the compensation given thereto
- Performance, qualification and independence of CPAs
- Appointment or discharge of financial, accounting or internal auditing officers

### 1. The Audit Committee convened five times in 2019.

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Hsueh-Jen Sung	5	0	100%	Appointed committee chairman
Independent Director	Jack J.T. Huang	5	0	100%	None
Independent Director	Char-Dir Chung	5	0	100%	None
Independent Director	Hsi-Peng Lu	3	0	100%	Mr. Lu, who was elected on June 12, 2019, was required to attend three committee meetings.
Independent Director	Jamie Lin	1	0	100%	Mr. Lin resigned on February 11, 2019. Mr. Lin, who was elected on June 12, 2018, was required to attend one committee meeting.

## 2. Any objections or issues raised by the Audit Committee against resolutions passed by the Board of Directors

(1) Pursuant to Article 14-5 of the Securities and Exchange Act:

Date	BoD	Proposals and reports	Audit Committee's opinion	Company's response
January 31, 2019	12th meeting of the eighth BoD	4Q18 internal audit report	Approved as proposed	Approved as proposed
		2018 internal control statement		
		2018 business report and financial statements		
		2019 capital expenditure plan and donation to TWM Foundation		
		Procurement of mobile broadband equipment from Nokia Siemens Networks Taiwan Co., Ltd		
		Acquisition or disposal of right-of-use assets		
April 30, 2019	13th meeting of the eighth BoD	1Q19 financial statements	Approved as proposed	Approved as proposed
		1Q19 internal audit report		
		2018 earnings distribution		
		Appointment of CPA		
		Revisions to the Rules and Procedures for Acquisition or Disposal of Assets		
		Revisions to the Rules and Procedures for Loaning of Funds and Making of Endorsements/Guarantees		
		Acquisition or disposal of right-of-use of assets		
		Removal of non-competition restrictions for board members		
June 12, 2019	14th meeting of the eighth BoD	Acquisition of AppWorks Ventures Co., Ltd. shares	Approved as proposed	Approved as proposed
July 25, 2019	15th meeting of the eighth BoD	2Q19 financial statements	Approved as proposed	Approved as proposed
		2Q19 internal audit report		
		Resolution to participate in the 3.5GHz, 28GHz and 1800MHz spectrum auction		
November 8, 2019	16th meeting of the eighth BoD	3Q19 financial statements	Approved as proposed	Approved as proposed
		3Q19 internal audit report		
		Internal audit plan for 2020		
		Resolution to participate in the rights issue of TWM Venture Co., Ltd, a 100%-owned subsidiary		
		Acquisition or disposal of right-of-use assets		

(2) In addition to the items listed above, any resolution passed by over two-thirds of the Board of Directors, but not approved by the Audit Committee: None.

## 3. Any recusals due to conflicts of interest:

Date	Name	Proposal	Reason for recusal	Participation in Deliberation
April 29, 2019	Hsueh-Jen Sung	Removal of non-competition restrictions for board members	Personal interest	Mr. Sung did not join the deliberations

## 4. Communication between independent directors and the Internal Audit Chief Officer and CPAs about major financial/operational matters:

- (1) The Internal Audit Chief Officer and CPAs communicated directly with independent directors when needed.
- (2) In addition to presenting monthly reports to the independent directors, the Internal Audit Chief Officer and CPAs met with the independent directors at the quarterly Audit Committee meetings, bringing communication into full play.

(3) Regular communication between independent directors and internal audit officers/CPAs:

Date	Internal Audit Officers		CPAs	
	Subject matter	Results	Subject	Results
January 30, 2019 10th meeting of the fourth Audit Committee	1. 4Q18 internal audit report 2. 2018 internal control statement	1. Acknowledged 2. Reviewed and submitted to BoD for approval	1. 2018 financial statements, advance notice of amendments to Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and explanations of computer audit 2. CPAs discussed inquiries raised by attendees	Acknowledged
April 29, 2019 11th meeting of the fourth Audit Committee	1Q19 internal audit report	Acknowledged	1. 1Q19 financial statements, advance notice of amendments to Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, information sharing on application of 5G and field development 2. CPAs discussed inquiries raised by attendees	Acknowledged
July 24, 2019 13th meeting of the fourth Audit Committee	2Q19 internal audit report	Acknowledged	1. 2Q19 financial statements , The impact of the newly passed Regulations Governing the Management, Utilization and Taxation of Repatriated Offshore Funds; information security and management challenges encountered by emerging technology 2. CPAs discussed inquiries raised by attendees	Acknowledged
November 7, 2019 14th meeting of the fourth Audit Committee	1. 3Q19 internal audit report 2. Internal audit plan for 2020	1. Acknowledged 2. Reviewed and submitted to BoD for approval	1. 3Q19 financial statements, communication of key audit matters and contingency management trends in information security incidents 2. CPAs discussed inquiries raised by attendees	Acknowledged

## Corporate governance practices

Item		Current practice
Has the Company established principles based on the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?		The Company has established said Corporate Governance Best Practice Principles and published them on the Company's official website and market observation post system (MOPS).
Shareholding structure and shareholders' interests	Handling of shareholders' suggestions and disputes	The Corporate Governance Best Practice Principles includes a chapter on upholding shareholders' interests. The spokesperson or Secretarial Division handles all non-legal issues; the Legal Division handles all legal issues.
	Identification of major shareholders and investors with controlling interests	The Secretarial Division submits a monthly report listing the shareholdings of directors, managers and major shareholders (over 10% shareholding) to the authorities.
	Risk control mechanisms and firewalls between the Company and its subsidiaries	The Company's internal control system set up the Rules and Procedures on Conducting Transactions between Group Companies and Related Parties and the Rules and Procedures on Monitoring Subsidiaries as risk control mechanisms.
	Prohibitions on insider trading	The Company has established Rules and Procedures on Handling Internal Material Information, which are given to employees when they start work. The Company also provides every third quarter of the year, via email and its internal website, guidelines on handling and processing internal material information and corporate ethics to ensure that employees, managers and directors are familiar with and comply with said regulations.
Board of directors and its responsibilities	Board diversity and execution	Diversity of board members is stipulated in the Company's Rules for Election of Directors and fully implemented.
	Establishing a Remuneration and Nomination Committee and an Audit Committee in accordance with the law and voluntarily setting up other functional committees	The Company has also established a Risk Management Committee, CSR Committee and Innovation Management Committee to enhance various functions.
	Board performance evaluation	The Company passed the Rules and Procedures on Evaluating Board of Directors' Performance to enhance efficiency, under which the Remuneration and Nomination Committee conducts an analysis and submits a report on proposed improvements to the board after annual performance evaluation and uses it as a reference for remuneration and re-appointment. The Performance Evaluation of the board was completed through self-assessments by board members, which covered evaluations of the performance of the board, board members and functional committees. Both the board and committees performed well, with an average score higher than 4.75, with 5 being the highest score.
	Periodic review of CPA's independence	The Audit Committee is authorized to evaluate the independence of the CPAs according to the "Bulletin of Norm of Professional Ethics for Certified Public Accountants of the Republic of China" and "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" on an annual basis based on the following criteria and procedures:  1. The CPAs' resumes.

Item		Current practice
		<p>2. The CPAs neither serve as a director/supervisor/manager nor hold a position with major influence in the Company or its subsidiaries, and that they have no interests that conflict with the Company's.</p> <p>3. The CPAs have not served as auditors for the Company for seven consecutive years.</p> <p>4. The CPAs should provide the Company with a Declaration of Independence on a quarterly basis.</p> <p>5. The CPAs are not involved in any significant lawsuit or litigation, and have never been censured by any regulatory body.</p> <p>6. The scale and reputation of the CPA firm.</p> <p>7. Effective interaction with management and internal audit officer.</p> <p>The supervisors in the finance and other divisions of the Company and its subsidiaries had evaluated the independence of the CPAs in the past two years and reported the results to the Audit Committee on January 30, 2019 and January 20, 2020 respectively.</p>
	Has the company set up a full/part time unit or personnel and appointed a Chief Corporate Governance officer in charge of handling corporate governance-related matters – including but not limited to providing information for board directors to carry out their duties, preparing board and shareholders' meetings, handling company registration and any changes therein, and preparing board and shareholders' meeting minutes?	<p>The Secretarial Division is headed by the EVP/CFO, Chief Corporate Governance officer, who has more than ten years' experience managing publicly listed companies' financial and stock affairs, as well as meeting procedures. The division head attended the following training programs in 2019:</p> <ol style="list-style-type: none"> <li>1. Case study of financial statement fraud (Taiwan Corporate Governance Association, 3hr)</li> <li>2. Legal training for board members to supervise enterprises: Beware of crossing the line of concerted action (Taiwan Corporate Governance Association, 3hr)</li> </ol> <p>In 2019, the division provided the following:</p> <ol style="list-style-type: none"> <li>1. Assisted directors in assuming their positions, furnished them with information required for business execution and held seminars to facilitate interaction between lecturers and directors.</li> <li>2. Purchased annual liability insurance for directors.</li> <li>3. Prepared board of directors' and shareholders' meetings, and handled company registration and any changes therein.</li> </ol>
	Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers) and set up a stakeholders' section on the Company's website to respond to critical corporate social responsibility issues?	Sections on investor relations, procurement and CSR have been set up on the Company's official website and integrated into one comprehensive stakeholders' section. Special personnel have been assigned to handle CSR related issues.
	Has the Company outsourced its AGM management?	The Company has engaged the Transfer Agency and Registry Department of Fubon Securities Co., Ltd. to manage its annual general meeting.
Information disclosure	Disclosure of information on financial status, operations and corporate governance	Disclosure of financial-related and corporate governance information is posted periodically on the Company's website.



Item		Current practice
	Other ways of disclosing information	Aside from having a spokesperson, the Company has a dedicated department, the Investor Relations Division, to handle information disclosure. It also has an English website and a team working on gathering and releasing relevant Company information.
	Has the Company published and reported its annual financial report within two months after the end of a fiscal year, and published and reported its financial reports for the first, second and third quarters, as well as its operating status for each month, before the specified deadline?	In 2019, the Company published and reported its annual financial report within two months after the end of the fiscal year. It published and reported its first, second and third quarter reports before deadline, as well as its operating status ahead of the target date.

## Additional information

### 1. Employee rights

The Company's human resources policies comply with provisions prescribed under the law, such as the Labor Standards Act, in safeguarding employee rights.

### 2. Employee care

The Company provides different communication channels to facilitate communication within the firm. These include holding regular labor-management meetings to accommodate suggestions for improvement and conducting surveys to gather employees' comments about the workplace and management practices.

### 3. Investor relations

The Company posts financial, operational and material information on its official website and MOPS in a timely manner to keep investors abreast of Company developments and strategies and, thus, maximize shareholders' interests.

### 4. Supplier relations

The Company holds procurement bids based on the Procedures Governing Procurement, and suppliers deliver products in accordance with the contract.

### 5. Stakeholders' rights

To protect the interests of stakeholders, the Company has established various free and open communication channels to promote trust and corporate social responsibility.

### 6. Training programs for directors in 2019

Training program	Organization	Date	Hours	Participant(s)
Performance evaluation of board meetings	Taiwan Corporate Governance Association	2019.01.14	3	Richard M. Tsai
Global economic trends and technological dynamics	Taiwan Corporate Governance Association	2019.03.19	3	Hsi-Peng Lu
Corporate governance: Personal data risks and compliance with General Data Protection Regulation	Taiwan Academy of Banking and Finance	2019.07.02	3	Hsueh-Jen Sung
Corporate governance and enterprise development	Taiwan Corporate Governance Association	2019.08.06	3	Hsi-Peng Lu
Financial statement fraud – risks and responsibilities	Taipei Foundation of Finance	2019.08.06	3	Char-Dir Chung
Corporate governance	Taiwan Academy of Banking and Finance	2019.08.19	3	Daniel M. Tsai
AI in Taiwan: The opportunities and challenges of industrial transformation	Taiwan Corporate Governance Association	2019.08.27	1	Hsi-Peng Lu
Related party transactions in financial institutions – regulations and case studies	Taiwan Corporate Governance Association	2019.10.18	3	Daniel M. Tsai, Chris Tsai, Howard Lin
Corporate governance supervision for directors and supervisors	Taiwan Insurance Institute	2019.10.25	1.5	Richard M. Tsai, Howard Lin
Corporate governance and management of criminal risks	Taiwan Corporate Governance Association	2019.11.19	3	Richard M. Tsai
The latest practices and developments to prevent insider trading	Taiwan Corporate Governance Association	2019.11.19	3	Richard M. Tsai
The battle for patents: offense and defense	Taiwan Corporate Governance Association	2019.11.21	3	Richard M. Tsai
Legal training for board directors to supervise enterprises: Beware of crossing the line of concerted action	Taiwan Corporate Governance Association	2019.11.21	3	Richard M. Tsai

Training program	Organization	Date	Hours	Participant(s)
Big data analysis and detection of corporate fraud	Taiwan Corporate Governance Association	2019.11.26	3	Daniel M. Tsai, Jack J.T. Huang, Hsueh-Jen Sung, Char-Dir Chung, Jamie Lin
Information security strategies for directors and supervisors	Taiwan Corporate Governance Association	2019.12.06	3	Daniel M. Tsai, Chris Tsai, Howard Lin, Jack J.T. Huang, Jamie Lin

Note: The training hour requirements listed above have been fulfilled.

## 7. Corporate governance related training programs for management in 2019

At the end of every year, the Company develops a training plan for the following year in accordance with enterprise development strategies, a survey of training needs and interviews with each group's senior executives. Training courses for senior executives are closely aligned with corporate strategies and global business trends. In 2019, the Company arranged training courses covering topics such as changes and challenges of the 5G era and launching the next digital innovation growth curve.

The Company has developed a succession plan for senior executives that is in line with corporate core values and future strategies. It evaluates the capability and performance of each executive on a regular basis and provides customized training programs, job assignments or job rotation accordingly. The progress of the succession plan is reviewed by the Remuneration and Nomination Committee.

In line with this plan, the Company recently promoted three senior executives. Mr. Tom Koh was promoted to Senior Vice President and Chief Technology Officer after serving several critical supervisory positions to acquire the skills and competencies needed for the position. Ms. Joan Hung, Head of the Human Resources Division of the Company and its affiliated companies, was promoted to Vice President after overseeing the Administration Division to broaden her breadth of knowledge, experience and expertise. Ms. Shirley Chu, Head of the Investor Relations Division, was promoted to Vice President after supervising the Operation Analysis Division and Finance Division. By expanding her management scope, Ms. Chu will be able to expand the leadership skills needed to grow into future roles and responsibilities.

Training program	Organizer	Date	Hours	Participants
Global competition and collaboration and leadership development	In-house training	2019.03.20	3	Tom Koh, Jay Hong, Iris Liu, Naomi Lee, C.H. Wu, Steve Chou, David Lin, Michael Teng
Taiwan industry M&A and transformation forum	Taiwan Mergers & Acquisitions and Private Equity Council	2019.05.22	4	Iris Liu
Corporate governance blueprint - manager's tasks and functions	Taiwan Corporate Governance Association	2019.05.31	3	Naomi Lee
Corporate governance: Trends in responsible investing	Economy Daily News	2019.06.27	2.5	Iris Liu
Roles and responsibilities of directors, supervisors and managers	Taiwan Corporate Governance Association	2019.07.26	3	Naomi Lee
Case study of financial statement fraud	Taiwan Corporate Governance Association	2019.08.16	3	Rosie Yu

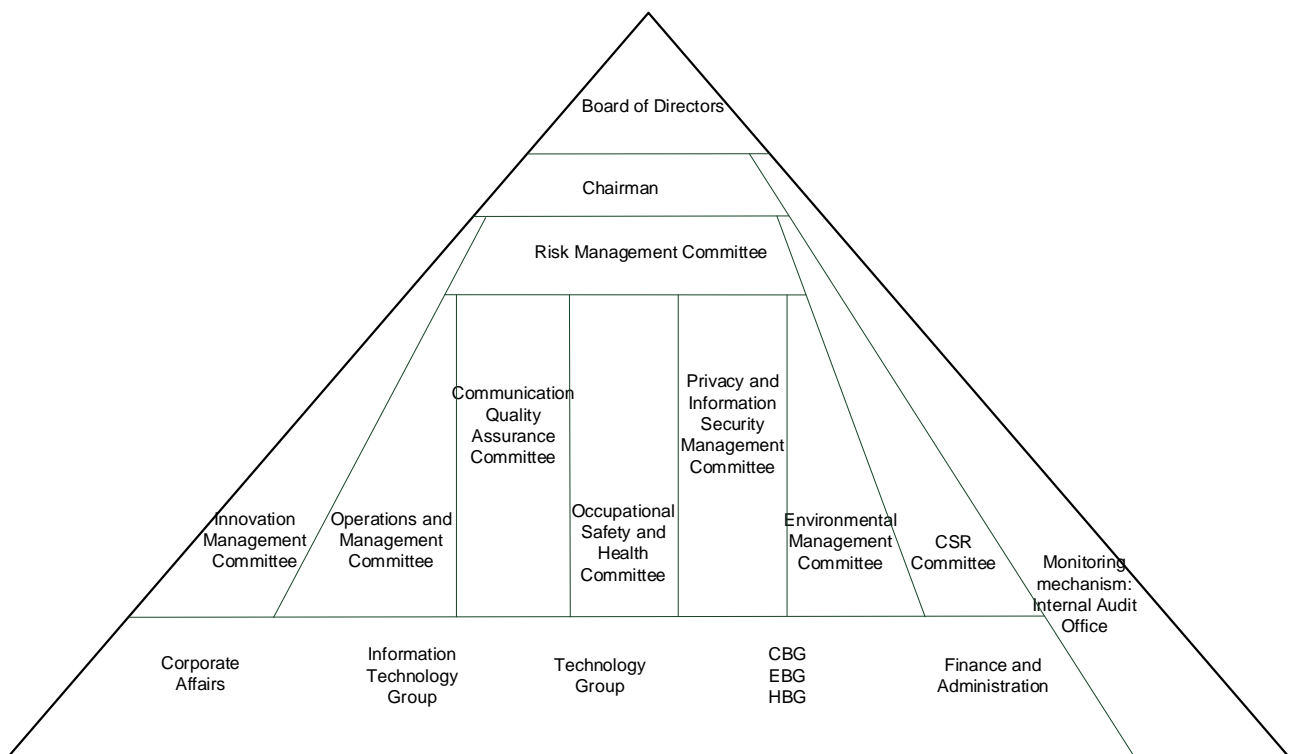
Training program	Organizer	Date	Hours	Participants
The science based targets initiative(SBTi) and sustainable supply chain management forum	Sustainable Alliance for Low-carbon Economy (SALE)	2019.09.06	4	Iris Liu
5G era changes and challenges	In-house training	2019.09.20	2	Tom Koh, Jay Hong, Iris Liu, Naomi Lee, C.H. Wu, Steve Chou, Daphne Lee, David Lin, Michael Teng, Shirley Chu
Legal training for board members to supervise enterprises: Beware of crossing the line of concerted action	Taiwan Corporate Governance Association	2019.09.24	3	Rosie Yu
TWM Talk: Overview on corporate development	In-house training	2019.10.04	2	Rosie Yu, Ariel Hwang, James Chang, Tom Koh, Eddie Chan, Iris Liu, Naomi Lee, C.H. Wu, Steve Chou, Daphne Lee, David Lin, Michael Teng, Joan Hung
Human resources strategy for corporate mergers and acquisitions from the perspective of directors and supervisors	Taiwan Corporate Governance Association	2019.11.05	3	Joan Hung
21st GeSI General Assembly	Global e-Sustainability Initiative	2019.11.11~11.13	24	Iris Liu
Launching the next digital innovation growth curve	In-house training	2019.11.20	3	James Chang, Tom Koh, Jay Hong, Iris Liu, Naomi Lee, Steve Chou, Daphne Lee, Michael Teng, Joan Hung
Big data analysis and detection of corporate fraud	Taiwan Corporate Governance Association	2019.11.26	3	Jamie Lin
Information security strategies for directors and supervisors	Taiwan Corporate Governance Association	2019.12.06	3	Jamie Lin
TWM Talk : Working toward a sustainable future	In-house training	2019.12.12	2	Jay Hong, Naomi Lee, Steve Chou, David Lin

## 8. Risk management

### Risk management policies

- (1) Promote a risk management-based business model
- (2) Establish a risk management mechanism that can effectively cite, evaluate, supervise and control risks
- (3) Create a company-wide risk management structure that can limit risks to an acceptable or controllable level
- (4) Introduce best risk management practices and continue to seek improvements

### Risk management structure



The Company's risk management structure is made up of three levels of control mechanism, and a monitoring mechanism:

	Responsible unit	Function
Ground	Corporate Affairs, Information Technology Group, Technology Group, Consumer Business Group, Enterprise Business Group, Home Business Group, Finance and Administration	Risk factors are analyzed and assigned to responsible units to monitor and ensure timely and effective detection. Each unit shall ensure, on a daily basis, that risks are kept under acceptable levels. Should there be any changes in condition or other factors, the responsible unit shall report these to the Company for an appropriate course of action
Middle	Risk Management Committee*	Integrate the Company's risk management framework and internal control mechanism. Execute risk management strategies and conduct a review of the efficiency of the overall risk management mechanism. Exercise control over the five following committees:
	1) Operations and Management Committee	Conduct periodic reviews of each business group's operating target and performance to meet the Company's guidance and budget.
	2) Privacy and Information Security Management Committee	Demonstrate the Company's commitment to these principles by investigating reported breaches of information privacy principles and policies and, if necessary, taking appropriate corrective measures.
	3) Occupational Safety and Health Committee	Supervise and minimize potential risks to workers' health and safety.
	4) Communication Quality Assurance Committee	Ensure and manage network communication quality.
	5) Environmental Management Committee	Develop and manage the Company's policies and objectives for environmental and energy management.
	Corporate Social Responsibility Committee	Promote corporate social responsibility and implement sustainable management within the Company.
	Innovation Management Committee	Integrate the Company's innovation strategies and establish a management mechanism.
Top	Board of Directors	Responsible for assessing material risks, designating actions to control these risks and keeping track of their execution.
Monitoring mechanism	Internal Audit Office	Regularly monitor and assess potential and varying levels of risks that the Company might face and use this information as a reference for drafting an annual audit plan. Report any discrepancy to the concerned unit chief and ensure that remediation efforts are completed.

\* The Risk Management Committee exercises control over five units/systems: Operations and Management Committee, Privacy and Information Security Management Committee, Occupational Safety and Health Committee, Communication Quality Assurance Committee and Environment Management Committee. Should any material event or situation arise, the responsible unit shall report it to the Operations and Management Committee or other committee(s) to undertake any necessary measures.



## Risk factors and underlying mechanisms

	Important risk factors	Responsible unit	Examining committee	Decision-making and supervision
1	Operating risk	Technology Group / IT Group	Operations and Management Committee	The highest decision-making body: Board of Directors  Monitoring mechanism: Internal Audit Office
2	Market risk A. Competition B. New products C. Channel management D. Inventory management	CBG, EBG and HBG		
3	Credit and collection risks	Business Operations Management Division and Billing Management Division		
4	Government policies and regulatory compliance	Regulatory and Carrier Relations Division		
5	M&A and investments	President's Office		
6	Volatility of interest rates, exchange rates and financial risks	Finance Division		
7	Financing and endorsements / guarantees provided to others, derivatives transactions and working capital management	Finance Division		
8	Financial report disclosure and tax risk management	Accounting Division		
9	Litigious and non-litigious matters	Legal Office		
10	Changes in shareholding of directors and major shareholders	Secretarial Division		
11	Board meeting facilitation	Secretarial Division		
12	Employee behavior, code of ethics and conduct	Human Resources Division		
13	Corporate social responsibility risks and other emerging risks*	Sustainability and Brand Development Division	CSR Committee	
14	Employee safety	Occupational Safety and Health Office and Administration Division	Occupational Safety and Health Committee	
15	Risks related to privacy and information security	President's Office	Privacy and Information Security Management Committee	
16	Technology and maintenance risks	President's Office – Communication Quality Assurance Department	Communication Quality Assurance Committee	
17	Environmental and energy risks	Network Engineering Division	Environmental Management Committee	
18	Innovation risk	CBG, EBG, HBG, Technology Group, IT Group, Sustainability and Brand Development Division	Innovation Management Committee	

\*Two important emerging risks were identified in category 13:

1. Climate change/natural disasters: Intensifying storms and high temperatures might lead to equipment damage, higher electricity consumption and unstable power and water supply, which could result in higher operating costs or operational interruptions. In response, the Company has introduced high temperature/moisture resistant equipment, reinforced training in emergency recovery after major disasters and installed more back-up power generators among others.
2. Telecommunication technology innovations - IoT, digital platform convergence, and 5G demand low latency and massive connections: The Company has been constructing a narrowband IoT, improving spectrum usage efficiency and importing access spectrum among others.

For other risks, please refer to <https://english.taiwanmobile.com/csr/riskManagement.html>

## 9. Implementation of customer policy

With the mission of “creating the best user experience,” the Company is continuously striving to improve its products, services and operations to win clients’ trust and raise the quality of customer care.

## 10. Liability insurance for board directors

The Company purchases annual liability insurance for its directors and reports the insurance coverage, amount and scope to the board of directors on a regular basis.

## 11. Employee certifications relating to information transparency

Certification	Number of Employees		
	Internal Audit Office	Corporate Affairs	Finance and Administration Group
Certified Public Accountant (CPA)			10
US Certified Public Accountant (US CPA)			1
Financial Risk Manager (FRM)			1
Certified Internal Auditor (CIA)	4	1	2
Certification in Control Self-Assessment (CCSA)	1		
Certified Information Systems Auditor (CISA)	2		
Chartered Financial Analyst (CFA)			1
Corporate Governance basic skills			4
Stock affairs specialist (Securities and Futures Institute)			5
Bond specialist (Securities and Futures Institute)			2
ISO20000/ISO22301/ISO27001/ISO29100/ISO9001/BS10012/BS25999/BS7799 Lead Auditor	9	18	8

**Any internal evaluation or third-party assessment reports on corporate governance. If yes, specify results, major flaws or recommendations for improvements:**

The Company participated in the “Corporate Governance Evaluation” conducted by the Taiwan Stock Exchange and Taipei Exchange, ranking among the top 5% of listed companies for five consecutive years.

## Remuneration and Nomination Committee operations

The Remuneration and Nomination Committee, composed entirely of independent directors, is bound by the Remuneration and Nomination Committee Charter. The committee is responsible for the following:

- (1) Establish a policy, system, standard and structure for directors’ and managers’ compensation and review them periodically.
- (2) Decide compensation of directors and managers and carry out periodic evaluations.
- (3) Select, assess and nominate candidates for directorships.

## Qualifications and independence criteria of members of the Remuneration and Nomination Committee

Identity	Name	Over five years of experience in business, finance, legal and/or other areas related to the Company's business	Independence criteria (Note)										No. of public companies in which he or she also serves as a member of the Remuneration and Nomination Committee
			1	2	3	4	5	6	7	8	9	10	
Independent Director	Jack J.T. Huang	V	V	V	V	V	V	V	V	V	V	V	3
Independent Director	Hsueh-Jen Sung	V	V	V	V	V	V	V	V	V	V	V	0
Independent Director	Char-Dir Chung	V	V	V	V	V	V	V	V	V	V	V	0
Independent Director	Hsi-Peng Lu	V	V	V	V	V	V	V	V	V	V	V	2

Note: "V" denotes meeting the conditions specified below during their tenure or two years before assuming their posts:

Criterion 1: Not an employee of the Company or its affiliates

Criterion 2: Not a director or supervisor of the Company or the Company's affiliates (unless the person is an independent director of the Company, the Company's parent company or any subsidiary of the Company)

Criterion 3: Not a shareholder whose total holdings, including those of his/her spouse and minor children, or shares held under others' names, reach or exceed 1 percent of the total outstanding shares of the Company or rank among the top 10 individual shareholders

Criterion 4: Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a manager under subparagraph 1 or any of the persons in the preceding two subparagraphs.

Criterion 5: Neither a director, supervisor, or employee of an entity that directly and/or indirectly holds more than 5% of the Company's shares, nor one of the Company's top five shareholders, director, supervisor or employee of a corporate shareholder who appoints a representative as a director or supervisor of the company in accordance with Article 27, paragraph 1 or 2 of the Company Act

Criterion 6: Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a person that also controls the same of the company.

Criterion 7: Not a director, supervisor, or employee of a company or institution of which the chairman, president (or equivalent) himself/herself or his/her spouse also serves as the company's chairman, president (or equivalent)

Criterion 8: Not a director, supervisor, manager, or shareholder owning more than 5% of the outstanding shares of any company that has financial or business relations with the Company

Criterion 9: Not a professional, owner, partner, director or supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past two years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

Criterion 10: Not in contravention of Article 30 of the Company Act

## Remuneration and Nomination Committee attendance

(1) The Remuneration and Nomination Committee consists of four members.

(2) Tenure of the Third Remuneration and Nomination Committee: June 14, 2017 to June 13, 2020. The committee convened three times in 2019:

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Jack J.T. Huang	3	0	100%	None
Independent Director	Hsueh-Jen Sung	3	0	100%	None

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Char-Dir Chung	3	0	100%	None
Independent Director	Hsi-Peng Lu	1	0	100%	Mr. Lu, who was elected on June 12, 2019, was required to attend one committee meeting.
Independent Director	Jamie Lin	1	0	100%	Mr. Lin, who resigned on February 11, 2019, was required to attend one committee meeting.

1. Any suggestion made by the Remuneration and Nomination Committee that was not accepted or revised by the Board of Directors: None
2. Any written objections or issues raised by a member of the Remuneration and Nomination Committee against resolutions passed by the committee: None

### Meetings of Remuneration and Nomination Committee

Date	R&N Committee Meeting	Agenda	R&N Committee's Opinion	Company Response
2019.1.31	5th meeting of the third R&N Committee	Report on our competitors' preferential retirement and resignation scheme/program	Approved as proposed	Approved by the BoD
		2018 remuneration distribution plan for board of directors	Approved as proposed	Approved by the BoD
		2018 year-end bonus of the Chairman	Approved as proposed	Approved by the BoD
		2018 performance evaluation results of managers/head of internal audit, and year-end bonus distribution	Approved as proposed	Approved by the BoD
		Promotion and salary adjustment proposal for managers	Approved as proposed	Approved by the BoD
		Manager's retirement request and appointment of successor	Approved as proposed	Approved by the BoD
2019.4.16	6th meeting of the third R&N Committee	Recommendation of candidate for independent director of the 8th BoD	Approved as proposed	Approved by the BoD
2019.7.25	7th meeting of the third R&N Committee	2018 performance evaluation results of the BoD	Approved as proposed	Approved by the BoD
		Proposed rules and procedures on evaluating the performance of the board and functional committees	Approved as proposed	Approved by the BoD
		Salary adjustment proposal for managers	Approved as proposed	Approved by the BoD

Date	R&N Committee Meeting	Agenda	R&N Committee's Opinion	Company Response
		2018 employee profit sharing distribution plan and 2019 salary adjustment proposal for managers/head of internal audit	Approved as proposed	Approved by the BoD
		2018 annual compensation and 2019 salary adjustment proposal for the Chairman	Approved as proposed	Approved by the BoD

## Corporate social responsibility (CSR)

Item	Current Practices
<b>Corporate governance</b> 1. Applying the materiality principle to identify material environmental, social and corporate governance (ESG) topics, and setting corresponding policies or strategies  2. Setting up a unit to carry out corporate social responsibility (CSR) policy or system	1. A total of 22 topics concerning sustainability were selected by applying the materiality principle. Specifically, we prioritized topics that were more important to the Company's operations, concerned stakeholders more, and in which the Company had a high impact on society. We also considered topics that the Company would manage internally in an autonomous manner. Accordingly, a total of seven key topics were identified in 2019. We conducted an impact analysis of these key topics to explore how we should respond and set strategic targets, as well as continue to track the progress of implementing these targets.  2. The Company established the Sustainability and Corporate Citizenship Department under the Sustainability and Brand Development Division to draft and carry out CSR initiatives. The department provides planning, execution and coordination across different divisions. The Corporate Social Responsibility Committee was established in 2014, with the Company chairman and president serving as committee chairman and vice chairman, respectively. The committee reports to the board on a quarterly basis.

Item	Current Practices																						
<b>Environmental sustainability</b>																							
1. Establishing an environmental management system in line with the nature of the Company's business operations	1. The Environmental Management Committee was set up in 2016 and tasked with developing environmental policies and objectives, as well as integrating the administration of ISO 14001 (environmental management), ISO 14064-1 (greenhouse gas inventories), ISO 50001 (energy management), and smart energy conservation. Various tasks are carried out by separate teams, and their progress is reported to the Environmental Management Committee.																						
2. Promoting advanced and efficient use of renewable resources to reduce their impact on the environment	2. The Company has continuously worked to improve the efficient use of resources, including paper, water, electricity and oil, as well as to promote reduction and recycling of domestic and electronic waste (cables, batteries and cellphones).																						
3. Evaluating climate change risks and opportunities to the Company and taking action	3. The Task Force on Climate-related Financial Disclosures framework was introduced at the end of 2018. A total of 12 major climate risks were identified, four of which belonged to high-risk impacts on operations. A more in-depth climate scenario analysis was conducted in terms of the four high climate risks to fully evaluate their impact on the Company, set management targets and take action.																						
4. Statistics on GHG emissions, water consumption and waste, and formulation of environmental sustainability policies	<p>4. The Company's Environmental and Energy Policy was amended in 2019, comprising four main aspects: compliance with environmental protection regulations, green purchasing for ecological balance, sustainability through recycling of resources, and energy conservation and carbon reduction.</p> <p>Statistics on GHG emissions, water consumption and waste for 2018-2019 are detailed below:</p> <table><tr><th colspan="2">Category</th><th>2018</th><th>2019**</th></tr><tr><td rowspan="3">GHG emissions (ton-CO<sub>2</sub>e)*</td><td>Scopes 1+2 location based</td><td>234,612.89</td><td>236,119.53</td></tr><tr><td>Scopes 1+2 market based</td><td>231,913.77</td><td>235,938.84</td></tr><tr><td>Scope 3</td><td>698,584.99</td><td>399,079.71</td></tr><tr><td colspan="2">Water consumption (m<sup>3</sup>)</td><td>321,978</td><td>321,978</td></tr><tr><td colspan="2">Waste landfilled (tons)</td><td>9.356</td><td>9.356</td></tr></table> <p>*Scope 2 emissions for 2018 were revised to comply with changes in the electricity emission factors of 2018 announced in July 2019 by the Bureau of Energy, Ministry of Economic Affairs.</p> <p>**GHG emissions increased due to the expansion of our internet data center business and changes in the electricity emission factor. Waste landfilled increased due to the inclusion of domestic waste from direct stores and changes in the waste clearance and treatment ratio. Accordingly, we have been working on minimizing our impact on the environment by actively reducing our carbon emissions and improving waste management.</p>	Category		2018	2019**	GHG emissions (ton-CO <sub>2</sub> e)*	Scopes 1+2 location based	234,612.89	236,119.53	Scopes 1+2 market based	231,913.77	235,938.84	Scope 3	698,584.99	399,079.71	Water consumption (m <sup>3</sup> )		321,978	321,978	Waste landfilled (tons)		9.356	9.356
Category		2018	2019**																				
GHG emissions (ton-CO <sub>2</sub> e)*	Scopes 1+2 location based	234,612.89	236,119.53																				
	Scopes 1+2 market based	231,913.77	235,938.84																				
	Scope 3	698,584.99	399,079.71																				
Water consumption (m <sup>3</sup> )		321,978	321,978																				
Waste landfilled (tons)		9.356	9.356																				

Item	Current Practices
<p><b>Commitment to corporate social responsibility</b></p> <ol style="list-style-type: none"> <li>1. Complying with domestic and international labor laws to safeguard and uphold the rights of workers, following a non-discriminatory hiring policy and establishing appropriate management practices, procedures and execution</li> <li>2. Establishing reasonable employee benefit measures (such as remuneration and leave policy) and linking company performance to employee compensation</li> <li>3. Providing employees with a safe and healthy working environment, as well as regular training on safety and health education</li> <li>4. Developing individual training plans for career development</li> <li>5. Complying with relevant regulations and international standards on marketing and labeling of products and services</li> </ol>	<ol style="list-style-type: none"> <li>1. Pursuant to related national regulations, including the Labor Standards Act, Employment Services Act, Gender Equality in Employment Act and International Bill of Human Rights, the Company has never employed child workers, discriminated against any employee or ethnic group, or forced its employees to work.</li> <li>2. The Company offers a well-rounded benefits package. Our Employee Welfare Committee is responsible for planning and implementing various benefits, including general benefits, free group insurance coverage for employees and their spouses, an employee stock ownership trust, high subsidies for phone bills and purchase discounts for company products. The Company offers maternity leave, sick leave and bereavement leave that surpass requirements stipulated in Taiwan's labor law.  Year-end bonuses and employee profit sharing plans are set based on the Company's performance. The Company's compensation policy is to reward employees commensurate with their performance. Evaluation meetings are held at the end of the year for supervisors and staff to discuss their performance over the past year and set objectives for the following year, including core functions and corporate social responsibility. Performance is graded based on employees' fulfillment of the annual objectives and accordingly rewarded with bonuses and/or salary increases.</li> <li>3. The Company aims to provide a safe and healthy working environment for employees and has implemented measures to promote employee health and mental well-being. It also conducts periodic evaluations of the working environment and programs on promoting workers' safety and health education. Related information on employee safety and health is posted on the Company's intranet.</li> <li>4. The Company conducts a survey on employees' career development plans and supervisors provide feedback to all employees. Based on individual key job achievements, career interests, strengths and weaknesses, supervisors help their staff draw up individual development plans during the annual performance review to give them systematic guidance on enhancing their skills and abilities for career development.</li> <li>5. TWM's mobile base stations were constructed in accordance with relevant laws and regulations, and passed base station electromagnetic checks by the National Communications Commission, having fully complied with the International Commission on Non-Ionizing Radiation Protection standards.</li> </ol>



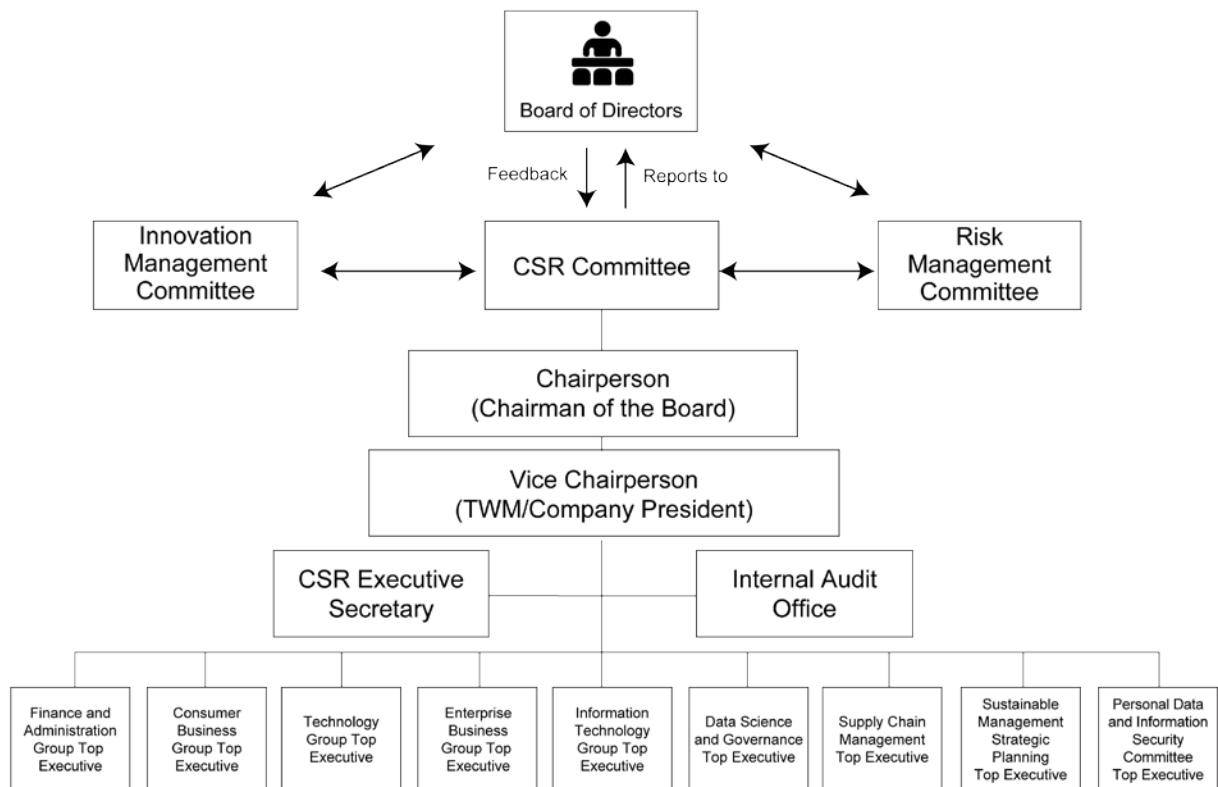
Item	Current Practices
6. Establishing a policy on supplier management, requiring suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights	<p>6. TWM believes that ethics serves as the moral foundation of a well-managed enterprise. To promote a fair and just system, the Company set up an open procurement system to select suppliers, and required that all suppliers comply with the “Environmental and Occupational Health and Safety Policy for Contractors” and “Guidelines on Corporate Social Responsibility for Suppliers.” Should a supplier break its social responsibility and adversely impact the environment and society, the Company has the right to suspend its account. Furthermore, TWM provides first bargaining rights to green-product and conflict-free product suppliers to encourage others to likewise produce environmentally friendly products</p> <p>(1) TWM does not use any product from conflict material/product suppliers.</p> <p>(2) TWM requests its suppliers investigate their supply chains to ensure that no products are from conflict areas.</p>
Has the Company issued CSR reports that have been verified by an independent third-party assurance organization?	<p>Since 2009, the Company’s CSR reports have been verified by an independent third-party organization, the British Standards Institute, in accordance with its AA1000 assurance standards and Global Reporting Initiative (GRI) guidelines. In 2014, Taiwan Mobile was proud to be the first Taiwan telecom company to pass the International Standard on Assurance Engagements (ISAE) 3000, demonstrating the Company’s commitment to management integrity. In 2019, the Company published its 2018 CSR report in conformity with the GRI Sustainability Reporting Standards comprehensive options. A limited assurance of the report’s contents was performed by KPMG, a reputable independent institution, in accordance with the Assurance Standard No. 1 of the Republic of China.</p>

**The Company’s CSR policy and practices fully comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.**

The concept of corporate social responsibility is embedded in the strategic decisions and daily operations of all departments. The Board of Directors passed the “Taiwan Mobile CSR Policy” and “Taiwan Mobile CSR Guidelines” in 2011 and 2015, respectively, serving as a long-term guidelines for promoting corporate social responsibility, as well as ensuring effective execution of the Company’s commitments to society. With its underlying corporate philosophy and core values serving as the foundation, TWM emphasizes corporate governance, stakeholders’ interests and full disclosure, and leverages off the Company’s core competencies and services to promote environmental conservation and public welfare.

**Additional information on CSR-related matters:**

The Company has formulated a comprehensive mechanism for sustainable operations management. The CSR Committee, the Risk Management Committee and the Innovation Management Committee were established in 2014, 2015 and 2017, respectively. The senior management from each business group serves as members of the CSR Committee, enhancing the levels of accountability, participation and governance of senior management. To strengthen CSR implementation, since 2016, the compensation of the President and Vice Presidents have been tied to the Company’s CSR performance. A self-assessment of CSR performance by the Board of Directors has been implemented since 2017.



## Ethical corporate management

Item	Current Practice
<p>1. Establishing a policy on ethical corporate management:</p> <p>(1) Has the Company established an ethical management policy approved by the Board of Directors, and clearly stated, in the regulations and external documents, the policies and practices of ethical management, and the commitment of the Board of Directors and senior management to actively implement the management policy?</p> <p>(2) Has the Company established a mechanism for assessing risks of unethical conduct, regularly analyzing and evaluating business activities with a higher risk of unethical conduct, and formulating a plan to prevent unethical conduct, and at least covering the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies' precautionary measures in Article 7 (2)?</p> <p>(3) Has the Company set up a system, including operational guidelines, reporting system and punishment for violations, to prevent dishonest behavior, as well as reviewed the aforementioned guidelines periodically and amended them as needed.</p>	<p>(1) The Company has promulgated its Ethical Corporate Management Best Practice Principles to establish its ethical management policy. Its formulation and amendments were approved by the Board of Directors, submitted to the shareholders' meeting, and disclosed on the corporate website and MOPS to declare the commitment of the board and senior management to implementing the policy.</p> <p>(2) (i) The Operating Rules of Ethical Corporate Management Principles provide specific regulations on matters that the Company should pay special attention to in conducting its business. The Audit Office regularly analyzes and evaluates business activities with a high risk of dishonest behavior by conducting annual risk assessments, and makes audit plans to check compliance.</p> <p>(ii) The Company avoids contact with dubious traders. Contracts signed with third parties specify compliance with ethical corporate management practices and, failing that, the Company reserves the right to terminate or rescind the contract.</p> <p>(3) (i) The aforementioned principles and related regulations prohibit directors, managers, employees and other mandataries of the Company from directly or indirectly offering, promising to offer, requesting or accepting any improper benefits, or committing unethical acts that contravene the principle of good faith, are illegal or a breach of fiduciary duty.</p> <p>(ii) Employees and suppliers are required to sign a Declaration of Integrity or Declaration of Integrity in Business Conduct to ensure that they fully understand the Company's determination to enforce ethical management and the consequences of behaving in a dishonest manner.</p> <p>(iii) The Audit Office shall periodically notify senior management and the Legal Office of the auditing results of compliance with the prevention plan, and prepare an audit report to the Board of Directors.</p>

Item	Current Practice
<p>2. Implementation of ethical corporate management</p> <p>(1) Has the Company avoided transactions with parties that have a record of dishonest behavior, stipulating in all contracts what constitute unacceptable behavior?</p> <p>(2) Has the Company established a dedicated unit to promote ethical corporate management under the supervision of the Board of Directors and regularly (at least once a year) report to the board its management policy and implementation?</p> <p>(3) Has the Company set up policies to prevent conflicts of interest and provide channels to report such conflicts</p> <p>(4) Has the Company built an effective accounting system and internal control system to carry out ethical corporate management, and has the internal auditor set up relevant audit plans based on the results of assessments of risks of dishonesty and compliance with the prevention plan, or delegated the task to an accountant?</p> <p>(5) Has the Company conducted regular internal and external training courses on ethical corporate management?</p>	<p>(1) The Company provides "Guidelines on Social Responsibility for Suppliers" and requires all suppliers to sign a "Declaration of Ethical Corporate Management," which states that suppliers must not engage in bribery; otherwise, the Company has the right to suspend their accounts and terminate or rescind their contracts any time.</p> <p>(2) (i) The Audit Committee, Compensation Committee and Internal Audit Office were established under the Board of Directors to supervise and audit the practices and implementation of the Company's ethical corporate management policy. In addition, the Legal Office, which reports to the President directly, is responsible for executing the policy, setting up guidelines to prevent dishonest behavior and reporting to the Board of Directors at least once a year to ensure the implementation of the highest guiding principles for ethical management.</p> <p>(ii) To implement the ethical corporate management policy and prevent unethical conduct, the Company has set up Ethical Corporate Management Best Practice Principles and Operation Rules of Ethical Corporate Management Best Practice Principles.</p> <p>(3) (i) The Company has promulgated policies to prevent conflicts of interest. If there is any proposal that might be harmful to the interest of the Company, board directors who have conflicts of interest with the Company shall refuse themselves from discussing or voting on the issue. Any board director, manager, employee and mandatary must not use his/her position or influence in the Company to obtain improper benefits for himself/herself or any other person.</p> <p>(ii) Any breach of ethical corporate management practices can be reported via email or fax hotline to the Company.</p> <p>(4) (i) The Company has established an effective accounting system and internal control system. In addition, the Audit Office regularly analyzes and evaluates business activities with a high risk of dishonest behavior through annual risk assessment processes, and set up an audit plan and check its execution, then reports the findings to the board on a periodic basis.</p> <p>(ii) The Company periodically delegates independent accountants to audit its financial statements and to verify the effectiveness of its internal control system.</p> <p>(5) The Company promotes the importance of Ethical Corporate Management Best Practice Principles to directors, managers, employees and appointees on an annual basis to help them fully understand the need to comply with ethical corporate management practices. The Company also conducts related training courses (Including integrity management regulations compliance, telecommunications management and personal information protection and internal control) upon request to strengthen colleagues' awareness. From January 1, 2019 to February 24, 2020, a total of 8,849.5 training hours were held, with 18,707 participants.</p>

Item	Current Practice
<p>3. Reporting ethical violations</p> <p>(1) Has the Company established a reporting and incentive system to facilitate the processing of complaints and assigned a person or unit to deal with the cases?</p> <p>(2) Has the Company set up investigation and confidentiality procedures?</p> <p>(3) Has the Company protected whistle-blowers from harm?</p>	<p>(1) The Company has established procedures for dealing with complaints about employees or suppliers, with the Internal Audit Office tasked with dealing with the cases.</p> <p>a) Supplier complaints can be filed with the Internal Audit Office in written form or via fax to (02) 6636-1600.</p> <p>b) Employee complaints can be sent to a designated internal email account.</p> <p>(2) The Internal Audit Office must immediately launch an investigation upon receipt of a complaint and ensure that the name and identity of the complainant are kept confidential.</p> <p>(3) The Internal Audit Office must be objective and fair in its investigation. It must report the results of its investigation directly to a higher supervisor and ensure that the whistle-blower is not harmed.</p>
<p>4. Has the Company strengthened information disclosure by posting related information on ethical corporate management and promoting its effectiveness on the Company's website and MOPS?</p>	<p>The Company has posted its Ethical Corporate Management Best Practice Principles on its website and MOPS. Its annual report and corporate social responsibility report further shed light on its execution and enhance corporate transparency.</p>
<p>5. Has the Company promulgated its own ethical corporate management principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies? If yes, describe the differences between the principles and current practices: No difference.</p>	
<p>6. Other important information to facilitate understanding of the Company's implementation of ethical corporate management practices :</p> <p>(1) The Company's electronic procurement system mandatorily requires suppliers to sign a "Declaration of Integrity in Business Conduct" every year; otherwise, they are not allowed to participate in the bidding process.</p> <p>(2) The Company regularly monitors developments in domestic and international ethical corporate management standards and reviews its performance to ensure compliance. The Board of Directors approved amendments to the Ethical Corporate Management Best Practice Principles on February 1, 2018.</p>	

## Corporate governance rules and procedures

The Company has implemented a number of rules and procedures to enhance its corporate governance practices: Corporate Governance Best Practice Principles, Audit Committee Charter, Remuneration and Nomination Committee Charter, Rules and Procedures Governing Board of Directors' Meetings, Rules and Procedures Governing Shareholders' Meetings, Regulations Governing Internal Material Information, Procedures Governing Applications to Suspend or Resume Trading, Code of Ethics, Ethical Corporate Management Best Practice Principles, Corporate Social Responsibility Policy, Corporate Social Responsibility Best Practice Principles, Rules and Procedures on Conducting Transactions between Group Companies and Related Parties, and Standard Operational Protocol for responding to requests from directors. With these efforts, not only does the Company's corporate governance mechanism comply with Taiwan's Securities and Exchange Act, it also adheres to the highest international standards. The aforementioned charters and rules are available on the Company's website: [www.taiwanmobile.com](http://www.taiwanmobile.com).

## Additional information on corporate governance operations:

### Corporate governance principles

- Timely disclosure of material information
- Checks and balances between the board and management
- Setting the target share of independent directors at a minimum of 40%
- Audit Committee was established to ensure fair and independent financial oversight
- Remuneration and Nomination Committee was established to strengthen corporate governance practices, promote a sound compensation system for directors and managers, and select candidates for directorships
- Adoption of a high cash dividend payout policy
- Shareholders' rights are guaranteed with the right to vote on all proposals at the annual general shareholders' meeting or through an electronic voting system
- Strict compliance with the Code of Ethics and Ethical Corporate Management Best Practice Principles, and establishment of an internal audit mechanism

To ensure that employees, managers and directors promote information transparency and timely disclosure, the Company disseminates its Regulations Governing Internal Material Information on an annual basis and have incorporated them into its internal control system to avoid insider trading risks.

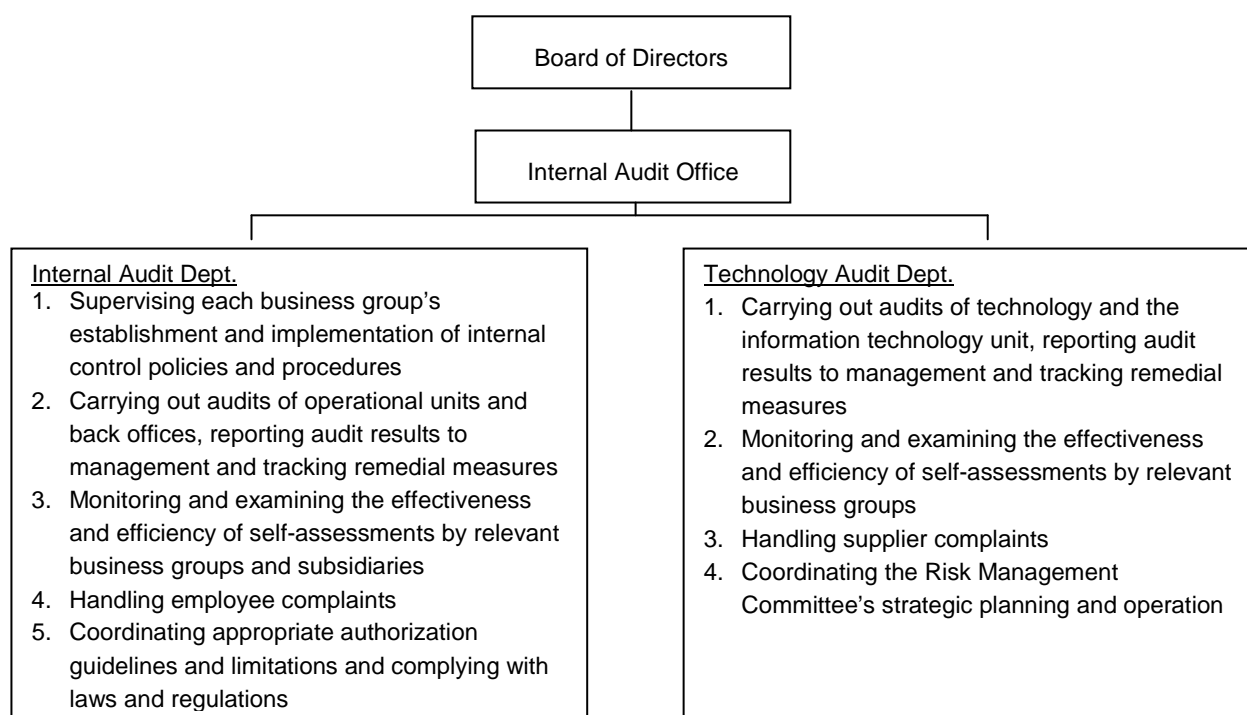
## Internal control system

### 1. Internal control mechanism

The Internal Audit Office is an independent unit with designated personnel who report directly to the Board of Directors.

- It is responsible for the examination and assessment of the internal controls of the Company's financial, sales, operations and management departments. All departments, including those of the subsidiaries, are subject to its audit.
- Regular internal audits are executed according to an annual audit plan. Special audit projects are implemented as needed. These audits enhance internal control and provide timely recommendations for future improvements.
- In accordance with corporate governance, audit reports are submitted on a regular basis and reviewed by the Chairman, as well as presented to the Audit Committee and the Board of Directors by the Chief Internal Auditor.
- The Internal Audit Office also examines the mechanisms and results of self-evaluations by departments and subsidiaries to ensure strict implementation. In addition, it generates and consolidates related inspection reports for the President and the Board of Directors to evaluate the overall efficiency of existing internal control systems before generating an internal control system statement.

There are 11 dedicated internal audit staff members, including one supervisor in charge of the Internal Audit Office, whose responsibilities are detailed below:



**2. Has the Company delegated CPAs to review its internal audit system and issued an audit report?** No.

### 3. Internal control statement

#### Internal Control Statement

Date: January 21, 2020

Taiwan Mobile (TWM) states the following with regard to its internal control system for the year 2019:

1. TWM is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. TWM has established such a system to provide reasonable assurance in achieving objectives related to the effectiveness and efficiency of operations (including profits, performance and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. An effective internal control system, no matter how perfectly designed, can provide only a reasonable assurance in the accomplishment of the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in the environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms and the Company takes corrective actions as soon as a deficiency is identified.
3. TWM evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by public companies promulgated by the Securities and Futures Bureau, the Financial Supervisory Commission and the Executive Yuan (herein referred to as the "Regulations"). The internal control system evaluation criteria stated in the Regulations classify internal control into five key elements based on the process of management control: (1) Control environment, (2) Risk assessment and response, (3) Control activities, (4) Information and communications, and (5) Monitoring. (Please refer to the Regulations for details on these five key elements.)
4. TWM has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the third paragraph, TWM believes that as of December 31, 2019, its internal control system (including its supervision of subsidiaries), which encompasses internal controls to achieve effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations, was effectively designed and operating, and is reasonably assured of achieving the above-stated objectives.
6. This statement will form a major part of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been passed by the TWM Board of Directors' Meeting on January 21, 2020, where all of the nine attending directors did not express any dissenting opinion and affirmed the content of the same.

Taiwan Mobile Co., Ltd.



Daniel M. Tsai  
Chairman



Jamie Lin  
President



## **Violation of regulations and internal policies:**

On April 23, 2019, the National Communications Commission fined the Company NT\$1.8 million for not filing a report on a change in its business plan in which it allowed Asia Pacific Telecom to use its UMTS network for roaming. The NCC approved the change in business plan on July 17, 2019. The Company has completed improvement measures.

## **Major resolutions at the shareholders' and board meetings**

### **1. Major resolutions at the 2019 shareholders' meeting**

Issues approved and subsequent execution:

- (1) 2018 business report and financial statements
- (2) Distribution of 2018 earnings  
Execution: Set record date of ex-dividend on July 15, 2019, and cash payment of NT\$5.54897 per share on July 31, 2019.
- (3) Revisions to the Company's Articles of Incorporation  
Execution: Approved by the Ministry of Economic Affairs on July 11, 2019, the revised rules were posted on the Company's website.
- (4) Revisions to the Rules and Procedures for Acquisition or Disposal of Assets  
Execution: Published on MOPS on July 1, 2019.
- (5) Revisions to the Rules and Procedures of Lending and Making Endorsements/Guarantees  
Execution: Published on MOPS on July 1, 2019.
- (6) By-election of an independent director: Hsi-Peng Lu  
Execution: Approved by the Ministry of Economic Affairs on July 11, 2019, the result was published on the Company's website.
- (7) Removal of non-competition restrictions on board directors  
Execution: Published on MOPS on June 12, 2019.

### **2. Major resolutions by the board (from 2019 up to publication date in 2020)**

1. 12th meeting of the eighth BoD on January 31, 2019
  - (1) Approved the 2018 business report and financial statements
  - (2) Approved the 2019 consolidated financial forecasts and donation to TWM Foundation
  - (3) Approved the 2019 capital expenditure plan
  - (4) Approved the procurement of mobile broadband equipment from Nokia Siemens Networks Taiwan Co., Ltd
  - (5) Approved change of President and the removal of non-competition restrictions
  - (6) Approved appointment of Chief Data Officer
  - (7) Approved the acquisition or disposal of right-of-use assets
  - (8) Approved the schedule for the 2019 Annual General Meeting
2. 13th meeting of the eighth BoD on April 30, 2019
  - (1) Approved the 2018 earnings distribution proposal
  - (2) Approved appointment of Chief Corporate Governance Officer
  - (3) Approved the acquisition or disposal of right-of-use assets
3. 14th meeting of the eighth BoD on June 12, 2019
  - (1) Approved change of Chief Business Officer
4. 15th meeting of the eighth BoD on July 25, 2019
  - (1) Approved the Company's participation in the 3.5GHz, 28GHz and 1800MHz spectrum auctions.
  - (2) Approved change of Chief Technology Officer
5. 16th meeting of the eighth BoD on November 8, 2019
  - (1) Approved the acquisition or disposal of right-of-use assets
  - (2) Approved the Company's participation in TWM Venture Co., Ltd's rights issue
6. 17th meeting of eighth BoD on January 21, 2020
  - (1) Approved the 2020 capital expenditure plan and donation to TWM Foundation
  - (2) Approved the issuance of unsecured straight corporate bonds
  - (3) Approved the acquisition or disposal of right-of-use assets

(4) Approved the schedule for the 2020 Annual General Meeting

7. 18th meeting of eighth BoD on February 21, 2020

(1) Approved the 2019 business report and financial statements

(2) Approved the 2020 consolidated financial forecasts and the 2020 additional capex for TWM and its subsidiaries

The above information is posted on MOPS: <http://mops.twse.com.tw>.

**Major dissenting comments over board meeting resolutions from 2019 up to publication date in 2020:** None

**Resigned/discharged chairman, president, chief accounting officer, chief financial officer, chief internal audit officer, chief corporate governance officer and chief research officer:**

As of February 24, 2020

Title	Name	Date of taking office	Date of resignation	Reason for resignation/discharge
President	James Jeng	2014/01/06	2019/04/01	Retirement
Senior Vice President and Chief Business Officer	Jeff Ku	2017/01/25	2019/06/01	Retirement

## Certified Public Accountant (CPA) Information

### 1. CPA service fees

Accounting firm	Name of CPA	Period covered by CPA's audit	Remarks
Deloitte & Touche	Li-Wen Kuo Kwan-Chung Lai	2019.01.01~2019.12.31	None

Range of CPA service fee	Audit fee	Non-audit fee	Total
NT\$0~NT\$1,999,999	-	-	-
NT\$2,000,000~NT\$3,999,999	-	✓	-
NT\$4,000,000~NT\$5,999,999	-	-	-
NT\$6,000,000~NT\$7,999,999	-	-	-
NT\$8,000,000~NT\$9,999,999	✓	-	-
NT\$10,000,000 and above	-	-	✓

### 2. Other information

(1) If non-audit fees paid to CPAs, their accounting firm and its affiliates are more than one-fourth of audit fees, specify the amount of audit and non-audit fees, as well as the scope of non-audit services:

Unit: NT\$'000

Accounting firm	Name of CPA	Audit fee	Non-audit fee					Period covered by CPA's audit	Remarks
			System design	Company registration	Human resources	Others	Total		
Deloitte & Touche	Li-Wen Kuo Kwan-Chung Lai	9,100	-	-	-	2,099	2,099	2019.01.01 ~ 2019.12.31	Fees for other non-audit services were mainly for tax-related consultations and attestation services

(2) For CPA changes, if the audit fee in the first year is lower than that of the prior year, specify the audit fee before and after the change and the reasons: Not applicable

(3) If audit fees dropped by more than 10%, specify the amount and percentage of decline and reasons: Not applicable

### 3. Information on CPA changes:

#### (1) Former CPA

Date of change	Passed by the Board of Directors on February 21, 2020		
Reason for change	Due to job rotations at Deloitte & Touche since 2020		
Specify whether services/engagement were terminated/refused	<div>Party</div> <div>Conditions</div>	CPA	Company
	Termination	Not applicable	Not applicable
	Refusal of new mandate	Not applicable	Not applicable
Has any audit opinion, other than an unqualified opinion, been issued in the past two years? If yes, cite reasons.	None		
Disagreement with securities issuer	Yes		Accounting principles and practices
			Disclosure of financial statements
			Audit scope or procedures
			Others
	No	V	
	Explanation: None		
Other disclosure items	None		

#### (2) Current CPA

Name of company	Deloitte & Touche
Name of CPA	Pei-De Chen, Kwan-Chung Lai
Date of engagement	Passed by the Board of Directors on February 21, 2020
Results of consultations with the CPA on accounting measures and principles that might influence his/her opinion prior to his/her engagement	None
Has the incumbent CPA issued any dissenting opinion on opinions issued by the previous CPA?	None

(3) The former CPA's response to the issues referred to in Article 10.6.1 and Item 3 of Article 10.6.2 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable.

### 4. Company Chairman, President or finance/accounting manager held positions in the Company's audit firm or its affiliates within the past year: None

## Direct and indirect investments in affiliated companies

As of December 31, 2019  
Unit: shares, %, foreign currency

Long-term investments under equity method (Note 1)	Investment by TWM		Investment by TWM's directors, managers and its directly or indirectly controlled businesses		Total investment	
	Shares	Holding (%)	Shares	Holding (%)	Shares	Holding (%)
Taiwan Cellular Co., Ltd.	502,970,309	100.00	—	—	502,970,309	100.00
Wealth Media Technology Co., Ltd.	42,065,000	100.00	—	—	42,065,000	100.00
TWM Venture Co., Ltd.	500,000	100.00	—	—	500,000	100.00
Taipei New Horizon Co., Ltd.	191,865,500	49.90	—	—	191,865,500	49.90
AppWorks Ventures Co., Ltd.	1,275,000	51.00	955,000	38.20	2,230,000	89.20
Alliance Digital Technology Co. (Note 2)	6,000,000	14.40	—	—	6,000,000	14.40

Note 1: Investments accounted for using equity method

Note 2: ADT was dissolved on December 31, 2018. As of December 31, 2019, ADT was still under liquidation.

## Changes in shareholdings of directors, managers and major shareholders

### 1. Minor changes in shareholder structure

Unit: shares

Title	Name	2019		2020 (as of February 24)	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding	Net change in shares pledged
Chairman	Fu Chi Investment Co., Ltd. Representative: Daniel M. Tsai	0	0	0	0
Director	Fu Chi Investment Co., Ltd. Representative: Richard M. Tsai				
Director	Fu Chi Investment Co., Ltd. Representative: Chris Tsai				
Director	TCC Investment Co., Ltd. Representative: Howard Lin	0	0	0	0
Director	TCC Investment Co., Ltd. Representative: Jamie Lin				
Independent Director	Jack J.T. Huang	0	0	0	0
Independent Director	Hsueh-Jen Sung	0	0	0	0
Independent Director	Char-Dir Chung	0	0	0	0
Independent Director	Hsi-Peng Lu (took office on June 12, 2019)	0	0	0	0
Major Shareholder (shareholding of more than 10%)	TFN Union Investment Co., Ltd.	0	0	0	0

Title	Name	2019		2020 (as of February 24)	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding	Net change in shares pledged
President	Jamie Lin (took office on April 1, 2019)	0	0	0	0
EVP and Chief Financial Officer	Rosie Yu	0	0	0	0
SVP and Chief Technology Officer	Tom Koh	0	0	0	0
VP and General Counsel	Ariel Hwang	0	0	0	0
VP and Chief Information Officer	James Chang	0	0	0	0
VP and Chief Data Officer	Eddie Chan	0	0	0	0
Vice President	Jay Hong	0	0	0	0
Vice President	Iris Liu	0	0	0	0
Vice President	Naomi Lee	0	0	0	0
Vice President	C.H. Wu	0	0	0	0
Vice President	Steve Chou	0	0	0	0
Vice President	Daphne Lee	0	0	0	0
Vice President	David Lin	0	0	0	0
Vice President	Michael Teng	0	0	0	0
Vice President	Shirley Chu (took office on July 1, 2019)	0	0	0	0
Vice President	Joan Hung (took office on July 1, 2019)	0	0	0	0
Chief Accounting Officer	Darren Shih	0	0	0	0
Independent Director	Jamie Lin (took office on June 12, 2018, resigned on February 11, 2019)	0	0	NA	NA
President	James Jeng (retired on April 1, 2019)	0	0	NA	NA
SVP and Chief Business Officer	Jeff Ku (retired on June 1, 2019)	0	0	NA	NA

**2. Shareholding transferred with related party:** None

**3. Stock pledged with related party:** None

## Relationship between TWM's top 10 shareholders

As of July 15, 2019

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's top 10 shareholders who are defined as related parties, spouse or a relative within two degrees	
	Shares	%	Shares	%	Name (B)	Relationship
TFN Union Investment Co., Ltd.	410,665,284	11.84%	—	—	TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd. Daniel M. Tsai	A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman B is a director at A A and B have the same chairman B is A's chairman
Chairman: Daniel M. Tsai	65,162,715	1.88%	4,580,070	0.13%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd.	A is B's chairman A is B's chairman A is B's chairman A is a relative within two degrees of B's chairman A is B's chairman B is A's relative within two degrees A is B's chairman
Shin Kong Life Insurance Co., Ltd.	325,399,000	9.38%	—	—	None	None
Chairman: Tung-Chin Wu	—	—	—	—	None	None
TCC Investment Co., Ltd.	200,496,761	5.78%	—	—	TFN Union Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd. Daniel M. Tsai	A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman B is a director at A A and B have the same chairman B is A's chairman
Chairman: Daniel M. Tsai	65,162,715	1.88%	4,580,070	0.13%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd.	A is B's chairman A is B's chairman A is B's chairman A is a relative within two degrees of B's chairman A is B's chairman B is A's relative within two degrees A is B's chairman

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's top 10 shareholders who are defined as related parties, spouse or a relative within two degrees	
	Shares	%	Shares	%	Name (B)	Relationship
Ming Dong Co., Ltd.	184,736,452	5.33%	–	–	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd. Daniel M. Tsai	A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman B is a director at A A and B have the same chairman B is A's chairman
Chairman: Daniel M. Tsai	65,162,715	1.88%	4,580,070	0.13%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd.	A is B's chairman A is B's chairman A is B's chairman A is a relative within two degrees of B's chairman A is B's chairman B is A's relative within two degrees A is B's chairman
Fubon Life Insurance Co., Ltd.	150,880,400	4.35%	–	–	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd. Daniel M. Tsai	B's chairman is a relative within two degrees of A's chairman B's chairman is a relative within two degrees of A's chairman B's chairman is a relative within two degrees of A's chairman B's chairman is a relative within two degrees of A's chairman B is A's chairman B's chairman is a relative within two degrees of A's chairman B is a relative within two degrees of A's chairman
Chairman: Richard M. Tsai	93,310,663	2.69%	5,086,496	0.15%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. TCCI Investment and Development Co., Ltd. Daniel M. Tsai	A is a director at B A is a director at B A is a director at B A is B's chairman A is a director at B A is a director at B B is A's relative within two degrees
Cathay Life Insurance Co., Ltd.	132,874,900	3.83%	–	–	None	None
Chairman: Tiao-Kuei Huang	–	–	–	–	None	None

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's top 10 shareholders who are defined as related parties, spouse or a relative within two degrees	
	Shares	%	Shares	%	Name (B)	Relationship
Dao Ying Co., Ltd.	113,609,742	3.28%	–	–	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd. Daniel M. Tsai	A and B have the same chairman A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman B is a director at A A and B have the same chairman B is A's chairman
Chairman: Daniel M. Tsai	65,162,715	1.88%	4,580,070	0.13%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd.	A is B's chairman A is B's chairman A is B's chairman A is a relative within two degrees of B's chairman A is B's chairman B is A's relative within two degrees A is B's chairman
Richard M. Tsai	93,310,663	2.69%	5,086,496	0.15%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. TCCI Investment and Development Co., Ltd. Daniel M. Tsai	A is a director at B A is a director at B A is a director at B A is B's chairman A is a director at B A is a director at B B is A's relative within two degrees
TCCI Investment and Development Co., Ltd.	87,589,556	2.56%	–	–	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai Daniel M. Tsai	A and B have the same chairman A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman B is a director at A B is A's chairman
Chairman: Daniel M. Tsai	65,162,715	1.88%	4,580,070	0.13%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd.	A is B's chairman A is B's chairman A is B's chairman A is a relative within two degrees of B's chairman A is B's chairman B is A's relative within two degrees A is B's chairman



Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's top 10 shareholders who are defined as related parties, spouse or a relative within two degrees	
	Shares	%	Shares	%	Name (B)	Relationship
Daniel M. Tsai	65,162,715	1.88%	4,580,070	0.13%	TFN Union Investment Co., Ltd.	A is B's chairman
					TCC Investment Co., Ltd.	A is B's chairman
					Ming Dong Co., Ltd.	A is B's chairman
					Fubon Life Insurance Co., Ltd.	A is a relative within two degrees of B's chairman
					Dao Ying Co., Ltd.	A is B's chairman
					Richard M. Tsai	B is A's relative within two degrees
					TCCI Investment and Development Co., Ltd.	A is B's chairman

Note: Shareholding percentage is calculated based on outstanding shares of 3,467,953,094 shares as of July 15, 2019.

## Chapter 3 Financial Information

### Capital and shares

#### Source of capital

As of February 24, 2020

Date	Par value (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Source of capital (NT\$)	In a form other than cash	Cert. No. & effective date
Mar. 2019	10	6,000,000,000	60,000,000,000	3,423,833,757	34,238,337,570	Convertible bonds: 29,818,280	—	Authorization No. 1050043485 Nov. 7, 2016
May 2019	10	6,000,000,000	60,000,000,000	3,433,524,274	34,335,242,740	Convertible bonds: 96,905,170	—	Authorization No. 1050043485 Nov. 7, 2016
Aug. 2019	10	6,000,000,000	60,000,000,000	3,467,953,094	34,679,530,940	Convertible bonds: 344,288,200	—	Authorization No. 1050043485 Nov. 7, 2016
Dec. 2019	10	6,000,000,000	60,000,000,000	3,495,944,073	34,959,440,730	Convertible bonds: 279,909,790	—	Authorization No. 1050043485 Nov. 7, 2016
Feb. 2020	10	6,000,000,000	60,000,000,000	3,509,354,470	35,093,544,700	Convertible bonds: 134,103,970	—	Authorization No. 1050043485 Nov. 7, 2016

As of February 24, 2020

	Authorized capital			Remarks
	Listed shares	Unissued shares	Total	
Common stock	3,509,354,470	2,490,645,530	6,000,000,000	None

Note: As of Feb. 24, 2020, capital registration for 22,022 of the total outstanding shares of 3,509,376,492 had not been changed.  
Information related to shelf registration: None

#### Shareholder structure

As of July 15, 2019

	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions & individuals	Total
No. of shareholders	7	19	353	44,081	897	45,357
Total shares owned	245,753,356	803,830,491	1,373,871,726	345,807,195	698,690,326	3,467,953,094
Holding percentage (%)	7.09	23.18%	39.61%	9.97%	20.15%	100.00%

#### Shareholding distribution

As of July 15, 2019

##### 1. Common shares

Shareholding range	No. of shareholders	Total shares owned	Holding percentage
1 ~ 999	15,887	5,138,136	0.15%
1,000 ~ 5,000	23,229	45,941,408	1.32%
5,001 ~ 10,000	3,011	22,904,423	0.66%
10,001 ~ 15,000	857	10,733,951	0.31%
15,001 ~ 20,000	552	9,989,139	0.29%
20,001 ~ 30,000	483	12,169,134	0.35%
30,001 ~ 50,000	372	14,608,600	0.42%
50,001 ~ 100,000	293	20,999,826	0.60%
100,001 ~ 200,000	184	26,678,407	0.77%

Shareholding range	No. of shareholders	Total shares owned	Holding percentage
200,001 ~ 400,000	128	34,523,316	1.00%
400,001 ~ 600,000	74	36,445,209	1.05%
600,001 ~ 800,000	47	33,150,052	0.96%
800,001 ~ 1,000,000	38	34,607,865	1.00%
1,000,001 and above	202	3,160,063,628	91.12%
Total	45,357	3,467,953,094	100.00%

## 2. Preferred shares: None

### Major shareholders

As of July 15, 2019

Name	Total shares owned	Holding percentage (Note)
TFN Union Investment Co., Ltd.	410,665,284	11.84%
Shin Kong Life Insurance Co., Ltd.	325,399,000	9.38%
TCC Investment Co., Ltd.	200,496,761	5.78%
Ming Dong Co., Ltd.	184,736,452	5.33%
Fubon Life Insurance Co., Ltd.	150,880,400	4.35%
Cathay Life Insurance Co., Ltd.	132,874,900	3.83%
Dao Ying Co., Ltd.	113,609,742	3.28%
Richard M. Tsai	93,310,663	2.69%
TCCI Investment & Development Co., Ltd.	87,589,556	2.53%
Daniel M. Tsai (Note 1)	65,162,715	1.88%

Note: Shareholding percentage was calculated based on outstanding shares of 3,467,953,094 as of July 15, 2019.

### Major shareholders of TWM's institutional investors

Institutional investors	Major shareholders
TFN Union Investment Co., Ltd.	Taiwan Fixed Network Co., Ltd. (100%)
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holding Co., Ltd. (100%)
TCC Investment Co., Ltd.	Taiwan Cellular Co., Ltd. (100%)
Ming Dong Co., Ltd.	Fubon Land Development Co., Ltd. (16.37%), Fubon Construction Co., Ltd. (13.9%), Fu-Chi Investment Co., Ltd. (12.64%), Ru Chi Investment Co., Ltd. (12.64%), Dao Chi Investment Co., Ltd. (12.64%), Chung Shing Development Co., Ltd. (11.78%), Dao Ying Co., Ltd. (9.61%), Fubon Charity Foundation (3.33%), Fubon Cultural and Educational Foundation (2.5%), Daniel M. Tsai (1.82%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd. (100%)
Dao Ying Co., Ltd.	Fubon Land Development Co., Ltd. (17.68%), Fubon Construction Co., Ltd. (17.68%), Fu-Chi Investment Co., Ltd. (13.13%), Ru Chi Investment Co., Ltd. (13.13%), Dao Chi Investment Co., Ltd. (13.13%), Ming Dong Co., Ltd. (9.60%), Chung Shing Development Co., Ltd. (8.84%), Daniel M. Tsai (1.52%), Richard M. Tsai (1.51%), Fubon Charity Foundation (1.01%)
TCCI Investment & Development Co., Ltd.	TCC Investment Co., Ltd. (100%)

## Share price, net worth, earnings, dividends and related information

		2018	2019	As of February 24, 2020
Share price (NT\$)	High	112.00	123.00	113.00
	Low	104.50	106.00	106.50
	Average	108.42	112.98	108.65
Net worth per share (NT\$)	Before earnings appropriation	22.71	24.20	—
	After earnings appropriation	17.07	(Note 1)	—
Earnings per share (NT\$)	Adjusted weighted average outstanding shares (‘000 shares)	2,722,519	2,767,709	—
	Earnings per share	5.01	4.51	—
Dividends per share (NT\$)	Cash dividends	5.54897	(Note 1)	—
	Stock dividends	Retained earnings	(Note 1)	—
		Capital surplus	(Note 1)	—
	Accumulated unpaid dividends		—	—
PE and dividend yield (Note 2)	Price earnings ratio (x)	21.64	25.05	—
	Price to cash dividend (x)	19.54	—	—
	Cash dividend yield (%)	5.12	—	—

Note 1: The appropriation amount for 2019 has yet to be approved at the AGM.

Note 2: Price earnings ratio = Average closing price / earnings per share  
Price to cash dividend = Average closing price / cash dividend per share  
Cash dividend yield = Cash dividend per share / average closing price

## Dividend policy

### 1. Dividend policy under Articles of Incorporation

The dividend policy in general is to distribute earnings from retained earnings in the form of cash after deducting forecast capital expenditure. Should there be a stock dividend distribution, it should not exceed 80% of the total dividends distributed in a single year. The dividend payout proposed by the Board of Directors (BoD) has to be approved at the annual shareholders' meeting.

### 2. Proposed dividend allocation for approval at annual shareholders' meeting

The BoD has not yet approved the proposed dividend allocation for 2019 as of publication date. The board expects to approve the proposal 40 days prior to the AGM, and the related resolution will be announced on the Company's website and MOPS.

### 3. The Company maintains a dividend policy with a high payout ratio

Historically, dividends distributed to shareholders were no less than 80% of net income for that year and composed of over 80% cash. A historical listing of dividends distributed is posted on TWM's official website.

## Impact of stock dividend distribution on business performance and EPS

The BoD has not yet approved the dividend allocation proposal for 2019 as of publication date.

## Employees' and directors' compensation

### 1. Earnings distribution plan according to the Company's Articles of Incorporation

If the Company posts an annual profit, it shall set aside 1% to 3% of the profit as employee bonuses and not more than 0.3% of the profit as compensation for directors. However, if the Company posts a loss, it shall first reserve a certain amount to offset the losses, then allocate the remainder for employee bonuses and directors' compensation.

Recipients are to include qualified employees of TWM subsidiaries.

### 2. Accounting treatment for the deviation between the estimated and actual distribution amount of employees' and directors' compensation

The Company accrues employee bonuses and directors' compensation proportionally from the pre-tax income before deducting employee bonuses and directors' compensation. Should there be a deviation between the actual distribution amount and the accrued amount in the annual financial reports after their publication date, the difference should be treated as changes in accounting estimates and adjusted in the following year.

### 3. 2019 employees' and directors' compensation proposals adopted by the BoD

- (1) Employees' and directors' compensation paid in the form of cash or shares and differences/reasons/treatments of accrued numbers if any:

The 2019 employee bonuses and directors' compensation approved by the BoD on February 21, 2020 totaled NT\$437,880 thousand and NT\$43,788 thousand, respectively, in the form of cash, while the accrued amounts in the 2019 financial reports were NT\$394,092 thousand and NT\$39,409 thousand, respectively. The differences between the actual distribution and the accrued amounts of NT\$43,788 thousand and NT\$4,379 thousand, respectively, were treated as changes in accounting estimates and adjusted in 2020.

- (2) Employee bonuses paid in the form of shares and as a percentage of total net income on a stand-alone basis and of total employee bonuses: None.

### 4. Earnings distributed as employee bonuses and directors' compensation in the previous year

2018 employee bonuses and directors' compensation approved by the BoD and actual distribution:

Unit: NT\$'000	Employee bonuses	Directors' Compensation
Accrued amount	459,368	45,937
Actual distribution	445,194	45,937
Difference	14,174	0

Note: The differences between the actual distribution and the accrued amount were treated as changes in employee number and adjusted in 2019.

**Share buyback: None**

# Corporate bond issuance

## Corporate bonds

As of February 24, 2020

Issuance		Fifth Unsecured Corporate Bond	Third Domestic Unsecured Convertible Bond
Issue date		April 20, 2018	November 22, 2016
Denomination		NT\$10,000,000	NT\$100,000
Issuance and listing		Not applicable	Not applicable
Issue price		100% of par value	100% of par value
Total amount		NT\$15,000,000,000 Tranche A : NT\$6,000,000,000 Tranche B : NT\$9,000,000,000	NT\$10,000,000,000
Coupon		Tranche A : 0.848% p.a. Tranche B : 1.000% p.a.	0% p.a.
Term		Tranche A : 5 years, maturing on April 20, 2023 Tranche B : 7 years, maturing on April 20, 2025	5 years, maturing on Nov. 22, 2021
Guarantor		None	None
Trustee		Bank of Taiwan	Bank of Taiwan
Underwriter		Yuanta Securities Co., Ltd.	Yuanta Securities Co., Ltd.
Legal counsel		Jim Chen, Attorney	Tai Yuan Huang, Attorney
Auditor		Li-wen Kuo, CPA, and Kwan-chuang Lai, CPA, Deloitte & Touche	Li-wen Kuo, CPA, and Kwan-chuang Lai, CPA, Deloitte & Touche
Repayment		Bullet repayment	All bonds shall be redeemed in cash on the maturity date at par value unless otherwise converted in accordance with Clause 10 of the Procedures for Issuance and Conversion of TWM's 3rd domestic unsecured convertible bonds (the Procedures) by the holders of the bonds into common shares of the company, the put option being exercised in accordance with Clause 19 of the Procedures by the holders of the bonds, early redemption in accordance with Clause 18 of the Procedures by the company, or repurchased from securities firms and cancelled by the company prior to the maturity date.
Outstanding balance		NT\$15,000,000,000	NT\$928,300,000
Early repayment clause		None	Please refer to the Procedures for Issuance and Conversion of TWM's 3rd domestic unsecured convertible bonds.
Covenants		None	None
Credit rating agency, rating date, company credit rating		None	None
Ancillary rights	Amount converted/exchanged into common shares, ADRs or other securities	Not applicable	NT\$9,071,700,000
	Rules governing issuance or conversion (exchanged or subscription)	Not applicable	Please refer to the Procedures for Issuance and Conversion of TWM's 3rd domestic unsecured convertible bonds.
Dilution and other effects on shareholders' equity		Not applicable	Based on the conversion price of NT\$99.9, if all the bonds are converted into common shares, the maximum share dilution would be 2.78%.
Custodian		Not applicable	Not applicable

## Convertible bond information:

Corporate bond type		Third Domestic Unsecured Convertible Bond		
Item	Year	2018	2019	2020 (As of February 24, 2020)
Market price of convertible bonds (NT\$)	Highest	105.00	116.65	112.80
	Lowest	101.70	102.80	107.70
	Average	103.55	109.69	109.12
Conversion price (NT\$)		104.70	99.90 ~ 104.70	99.90
Issue date and conversion price at issuance		Issue date: November 22, 2016 Conversion price at issuance: NT\$116.10		
Conversion method		Issuance of new shares		

**Exchangeable bonds:** None

**Shelf registration issuance:** None

**Bonds with warrant:** None

**Preferred shares:** None

**Depository receipt issuance:** None

**Employee stock options and new restricted employee shares:** None

**Shares issued for mergers and acquisitions:** None

**Use of proceeds from rights issue:** None

## Chapter 4 Operational Highlights

### Performance by division

	Consumer Business Group	Enterprise Business Group	Home Business Group	Retail Business
Brand name	Taiwan Mobile	TWM Business Solution	TWM Broadband	momo
Services	<ul style="list-style-type: none"> <li>● Voice, data and mobile value-added services for consumers</li> </ul>	<ul style="list-style-type: none"> <li>● Voice and data mobile services for enterprises</li> <li>● Fixed-line services</li> <li>● Cloud and enterprise total solutions</li> </ul>	<ul style="list-style-type: none"> <li>● Pay TV services (CATV/DTV)</li> <li>● Cable broadband services</li> <li>● Others</li> </ul>	<ul style="list-style-type: none"> <li>● E-commerce</li> <li>● TV home shopping</li> </ul>

Unit: NT\$mn

	Telecom business		Cable TV business (CATV)	Retail business
	Mobile business	Fixed-line broadband business		
Market position	Second-largest mobile operator in a five-player market, with a market share of around 25% in terms of mobile subscribers	One of top three internet service providers (ISP), with a market share of 4.5%	Fourth-largest multiple system operator (MSO), covering about 11% of households in Taiwan	Ranked first in B2C e-commerce
2019 revenue*	67,385		6,090	51,830
2019 EBIT*	13,257		2,092	1,656

\* Source: 2019 financial reports. The difference between the sum of each division and consolidated numbers was due to inter-division adjustments and eliminations.

## Scope of Business

### Business overview

#### Telecom Business

#### 1. Telecom products and services

##### Consumer Business Group

Besides providing basic mobile voice and broadband services, the Company also offers diversified value-added services to meet customers' needs for entertainment and smart living. These value-added services include video and music streaming, mobile commerce, instant messenger, IoT related services and wearable/smart home devices.

##### Enterprise Business Group

The Enterprise Business Group offers information and communication integrated total solutions to enterprise clients. Backed by its solid experience in telecoms, ranging from mobile and fixed-line voice & data to internet and cloud services, the Enterprise Business Group can serve as a partner in AI, IoT, cloud, ICT and information security services for enterprise



clients.

## 2. Telecom revenue breakdown

Unit: NT\$mn

Item \ Year	2019	
	Revenue	% of total
Service revenue	48,337	72%
Device sales	19,048	28%
Total	67,385	100%

## 3. New telecom products and services

### Consumer Business Group

- (1) Tariff: Continue to roll out innovative rate plans catering to different segments based on big data analysis.
- (2) Diversified value-added services: Develop 5G services, cloud gaming and applications.

### Enterprise Business Group

- (1) TWM Cloud PBX service:

With TWM's Cloud PBX service, traditional private branch exchange (PBX) on-premise systems are no longer needed. Incoming calls will automatically show up on desk phones, mobile phones, desktops or laptops. Intercompany calls are also free, allowing enterprises to not only improve communication efficiency, but also lower costs.

- (2) Information security solutions:

TWM is working with leading corporations to provide comprehensive information security solutions, including cloud web application firewall (WAF) and virtual private network (VPN) devices for businesses.

- (3) NCHC AI cloud service:

TWM in 2018 assisted in building the National Center for High-performance Computing's (NCHC) Taiwan 2. The AI high-speed computing platform is developing AI applications for IoT, smart city, fintech and smart medical solutions this year.

- (4) Cloud services:

Leveraging off its cloud computing service, TWM can provide large-scale international cloud, AI, IoT platform and blockchain integrated solution services to enhance its value.

- (5) IoT solutions:

TWM is developing IoT solutions for smart cities and industries. Enterprise users can track, analyze and manage all company devices through this platform with full information security protection.

## **Cable TV Business (Home Business Group)**

### **1. CATV products and services**

Its main operations cover a variety of products and services, including cable TV, HD digital TV, high-speed fiber-optic internet access, over-the-top (OTT) service platform, personal video recorder, HomeSecurity services for households, businesses and communities, HealthCare service, A1 Box and digital TV channel content agency. In addition, its subsidiary, TV production company Taiwan Win TV Media Co., Ltd., offers original content, such as the “momo family channel” and an HD channel for children, and owns distribution rights to a large number of outstanding domestic and foreign TV content.

### **2. CATV revenue breakdown**

Unit: NT\$mn

Item \ Year	2019	
	Revenue	% of total
Pay TV service	3,537	58%
Cable broadband service	1,435	24%
TV content agency and others*	1,118	18%
Total	6,090	100%

\* Including channel leasing revenues

### **3. New CATV products and services**

#### **(1) HD digital TV services:**

TWM has led the industry in ushering in a whole new era in home entertainment with its introduction of 4K content and multi-angle vision.

#### **(2) High-speed fiber-optic internet access services:**

Given the increasing demand for high-speed internet access, TWM Broadband adopted DOCSIS 3.1 network technology and infrastructure to offer 1Gbps fiber-optic internet access.

#### **(3) Digital home services:**

TWM was the first to launch “A1 Box” – an open platform integrating cable TV channels and diverse OTT content – to offer not only a variety of cable TV, HD digital TV and OTT content, but also networking applications and Bluetooth voice remote control. The Company plans to further extend interactive applications and voice control services.

## **Retail Business (momo.com Inc.)**

### **1. Retail products and services**

momo offers e-commerce and TV home shopping services

(1) e-commerce

a) Supplier recruitment service

momoshop: Recruits suppliers across Taiwan to provide clients with premium products and the best services.

momomall: Assists suppliers interested in e-commerce to establish and operate online platforms.

b) Product offering

momoshop: Sells over 2.7 million stock keeping units (SKUs), 25% of which offer 24-hour delivery guarantee.

momomall: Hosts over 5,000 suppliers with 83 million SKUs.

c) Customer service

Provides 24-hour online customer service and a supplier contact platform to satisfy customers' shopping needs.

(2) TV home shopping

Self-owned professional studio and filming team provides momo TV programs for 5 million cable TV and 2.1 million MOD subscribers nationwide.

Provides 0800 toll-free hotline and mobile app for consumers to purchase products featured on momo TV programs or the momo TV app. A customer service team works around the clock to answer questions about product features, purchase and return policy.

### **2. Retail revenue breakdown**

Unit: NT\$m

Item	Year	2019	
		Revenue	% of total
E-commerce		45,477	88%
TV home shopping and others		6,353	12%
Total		51,830	100%

### **3. New categories and services**

- (1) momoshop has continued to introduce more international brands and to enhance long-term relationships with brand partners. With the aid of key opinion leaders, live-streaming, social commerce marketing and cross-selling within Fubon Group, momo has added new categories, such as books, used cars and fresh food, to boost sales. Its TV home shopping has also continued to develop new categories and introduce more overseas niche products to enhance its unique platform and broaden its customer base.
- (2) momo has stepped up its logistics network build-out to accelerate last-mile delivery for e-commerce. As part of its three-hour delivery service plan in Greater Taipei, it has expanded its fleet of scooters to provide prompt delivery of select items, such as fresh food, and deployed AI to boost voice and image searches to improve users' experience.
- (3) momo's TV home shopping business has steadily adapted to changes in consumer's lifestyle and trends. To enhance engagement with its client base and boost customer stickiness, it has expanded its TV fan clubs' operation, launched a TV app, broadcast live-stream videos on Facebook and listed on MOD. It has also laid out plans for launches on major OTT platforms and boosting its internet celebrity live-streaming business.
- (4) momo has set up logistics centers in central and southern Taiwan to boost its order fill rate across the nation.

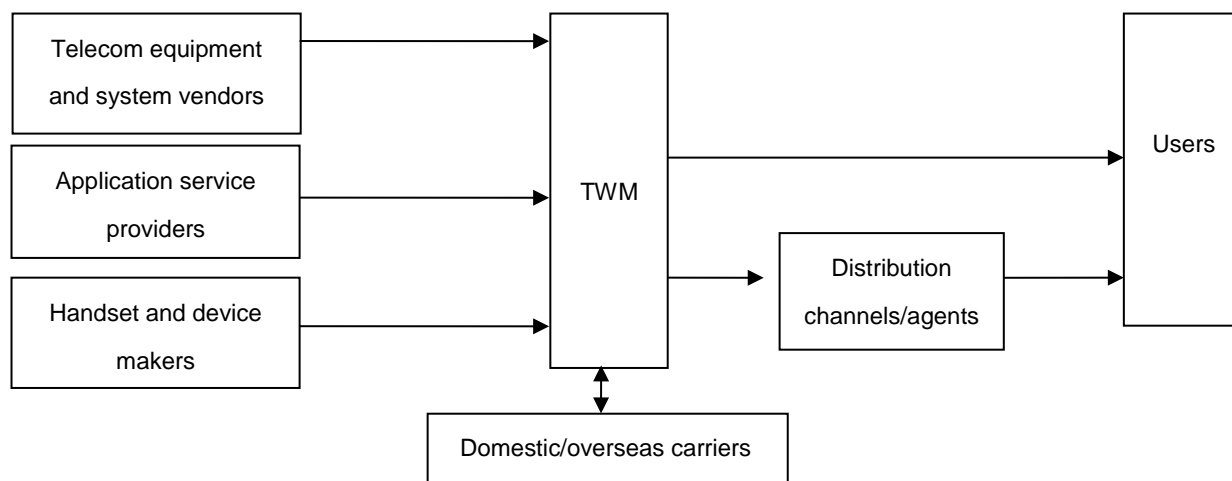
## Industry overview

### Consumer Business Group

#### 1. Industry status and development

In 2019, the telecom industry entered a pure 4G era. To cope with declining revenue due to a higher uptake of low-cost unlimited plans, carriers proactively launched differentiated products and services to boost sales. With the launch of 5G services in 2020, the industry expects revenue to increase by providing innovative value-add services.

#### 2. Industry value chain



#### 3. Product development trends and competitive landscape

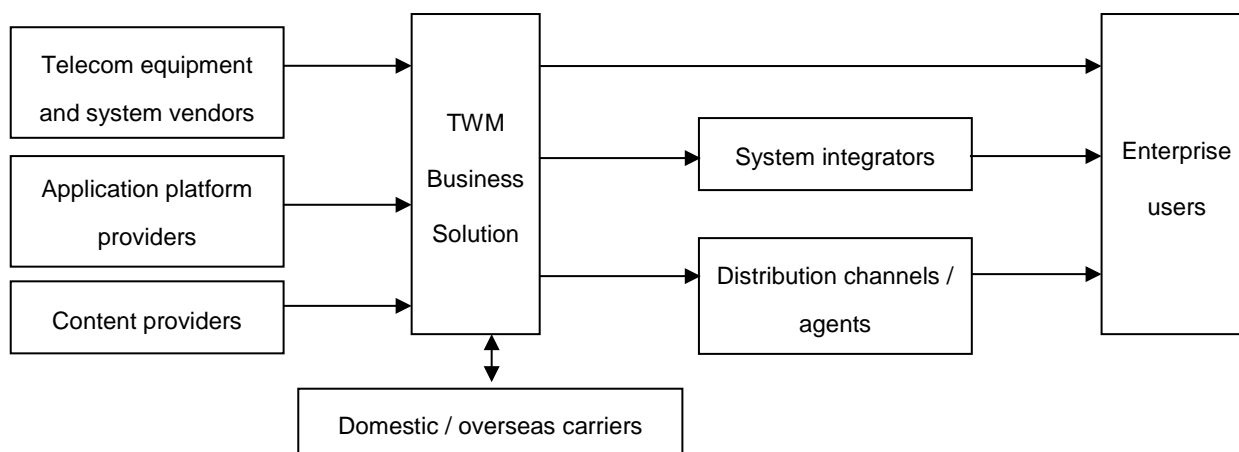
As SIM-only low-cost unlimited plans proliferated, 4G internet access became more affordable. Telecoms competed to offer more product and service differentiation to meet increasing demand for wearables, smart home devices and audiovisual content.

### Enterprise Business Group

#### 1. Industry status and development

According to the National Communications Commission (NCC), there were 83 Type I telecommunication providers, including four fixed-line operators, 15 mobile operators and other circuit leasing operators, and 386 Type II telecommunication providers, such as ISR, ISP, VoIP and other value-added service providers. Given intense competition in the fixed-line market and the growing trend toward IP network and digital convergence, telecommunication providers have to offer not only infrastructure, but also applications and total solutions.

## 2. Industry value chain



## 3. Product development trends and competitive landscape

Data provided by the NCC shows that Chunghwa Telecom (CHT) has a virtual monopoly of the telecom market. It has an over 90% share of local network service revenue, and about 50% of long-distance network service and international network service revenue.

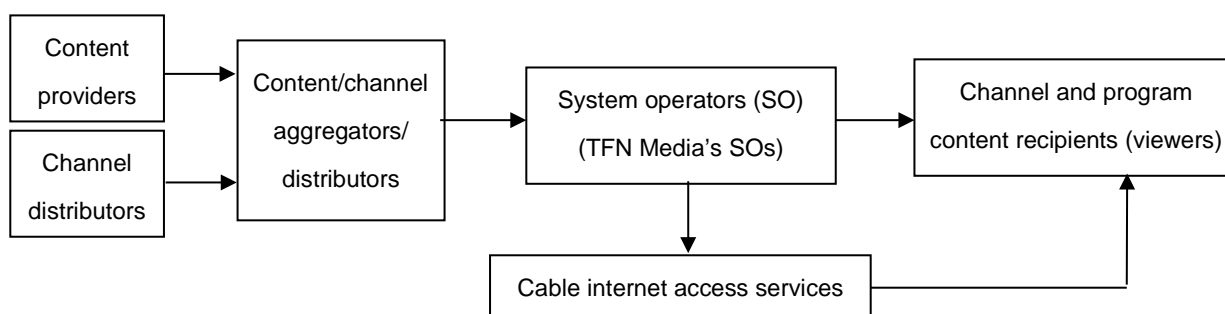
Cloud, IoT and enterprise mobility applications will be the main trends in the future. Carriers will provide various efficient and effective mobile commercial application services to enhance the competitiveness of enterprise clients.

## Home Business Group

### 1. Industry status and development

Cable TV has become a must-have video platform, but it faces challenges from alternative services, such as IPTV, digital terrestrial TV and other emerging media (e.g., OTT video streaming) that have successively entered the market. The cable TV industry is facing a critical period of transformation.

### 2. Industry value chain



Thanks to its control over last mile access to customers, TWM Broadband is aiming to take the lead in vertical integration to build up its core competitiveness and explore new business opportunities in the digital age.

### 3. Product development trends and competitive landscape

Fixed broadband is a saturated market that is dominated by Chunghwa Telecom and characterized by slowing growth. However, with the advance of technology, fiber-optic internet access service speed has reached 1Gpbs. Operators now

compete on price and speed. Furthermore, with the CATV industry becoming fully digitalized, user demand for high-definition digital TV channels and OTT content has increased. Smart home applications services, such as 4K content, networking and voice control services, are the future trends.

## Retail Business

### 1. Industry status and development

The proliferation of CATV, digital TV and smart devices has given rise to a new breed of home shoppers. Consumers can order by telephone or through virtual platforms, choosing from a plethora of convenient payment options and receive the product within a short period.

### 2. Industry value chain



momo sources its products from suppliers and sells them through its TV home shopping networks, online shopping sites and mail order catalogues for members and general consumers.

### 3. Product development trends and competitive landscape

- (1) E-commerce: Although momo entered the market later than industry peers such as Yahoo! Taiwan and PChome Online, it has made major strides as a comprehensive B2C e-commerce player, growing rapidly by leveraging its know-how in TV home shopping. momo is the largest B2C operation in Taiwan.
- (2) TV home shopping: Aside from momo, leading players in the industry include Easter Home Shopping (EHS) and viva. The rise of virtual shopping platforms, such as e-commerce and mobile commerce, has intensified competition in TV home shopping. momo has countered this by collaborating with key opinion leaders or influencers, launching its own mobile apps, and leveraging its social platform and capabilities, including live streaming, to bolster engagement with its members and customer base.

## Research and development expenditure

Research and development expenses totaled NT\$163,166 thousand in 2019 and NT\$17,111 thousand in January 2020. Continued investment in the research and development of more advanced technologies is expected to increase customer satisfaction, which in turn should boost value-added service revenue and overall operations growth.

## Major research and development achievements

Project name	Description
Deep learning-based improvement of mobile communication networks' performance by adjusting base station resource allocation and strategy	Wireless signals embedded in environments are a major factor affecting network performance. To overcome this problem, this project collected various types of sensing data from user equipment and inputted them into a deep neural network (DNN) for modeling. An unmanned aerial vehicle (UAV) measured signals at different altitudes and used deep learning to locate areas where signals are weak. The object was to optimize deployment and resource allocation and improve communication quality.
M+	Provides bi-directional message mechanism and M+ Service Circle to enhance communication between enterprises and customers. Build up a hybrid cloud architecture to enhance businesses' operational efficiency.
myVideo	Support 4K video, build live chatroom, provide family packages and children's zone, and enhance recommendation mechanism. Integrate myVideo with Kbro A1 STB and extend myVideo to more OTT STB.
Smarter Home	Integrate MyMusic service, audiobooks, taxi-booking and customer services with Google Nest smart speaker to expand smart home business opportunities.
MyMusic	Integrate music service with Google Nest smart speaker and Garmin Smart Watch. Increase MyMusic members in cooperation with momo e-commerce store. Broadcast South Korea Melon Music Awards 2019 live event to MyMusic customers.
Commodity bin-packing recommendation system	Based on freight cost, carton size and historical packing statistics, find the most suitable and cost-saving packing combination.
Image search engine	Continually optimize the accuracy of image comparisons and extend recommendations of related products to boost purchase rate.

## Sales development plans

### Consumer Business Group

#### 1. Short-term plan

- (1) Leverage Fubon Group resources and utilize big data to acquire new customers and retain existing customers, as well as design products to meet various needs.
- (2) Provide "Double Play bundles" and "Double Play adds on" packages – one-stop shopping for broadband and mobile services.
- (3) Renovate myfone stores and provide 5G applications and Smarter Home services.

#### 2. Medium to long-term plan

- (1) Enhance content and create differentiation: enrich video content and add more original series, introduce deep-learning recommendation model and integrate with smart speakers, etc. Fulfill customers' demand for entertainment by creating differentiated and personalized Smarter Home services.

- (2) Utilize 5G network to develop new applications and increase 5G penetration rate and ARPU.
- (3) Build up a smarter home ecosystem by providing innovative products and services.

## **Enterprise Business Group**

### **1. Short-term plan**

- (1) Continue to develop services and total solutions that improve enterprise efficiency.
- (2) Cooperate with famous, international cloud operators to deliver cloud services in local data center to provide comprehensive cloud solutions. A specialized sales team will be built to service enterprise clients.
- (3) Expand government market to boost business opportunities.

### **2. Long-term plan**

The Company's vision is to expand enterprise services from network-centric to mobile applications, IoT, information security, and cloud services through steady investments in the following:

- (1) Restructure organization and improve skills to merge key technologies and make strategic investments.
- (2) Develop IoT, cloud and AI total solutions for enterprise clients.
- (3) Channel integration to raise sales productivity and increase customer satisfaction.

## **Home Business Group**

### **1. Short-term plan**

- (1) TWM Broadband will continue to optimize its network infrastructure in regions where it is already operating CATV systems and provide more HD digital content and video on demand to set the foundation for its digital services.
- (2) TWM Broadband launched 1Gbps super high-speed internet access service and HD digital TV service to boost its cable broadband and digital TV service penetration rates, increase its ratio of high-speed broadband internet users and raise its subscriber numbers.

### **2. Long-term plan**

The Home Business Group plans to integrate HD digital content, multiple-viewing terminal devices, high-speed fiber-optic internet access services and cloud technology to introduce more innovative and value-added digital TV services, allowing families and individual subscribers to enjoy the benefits of "multi-screens and a cloud" (i.e., mobile phones, PCs, tablets and TVs) and lead them toward smart living.

## **Retail Business**

### **1. Short-term plan**

- (1) E-commerce:
  - Provide differentiated and value-added services: Leverage big data analysis and recommend more personalized products to customers.
  - Integrate offline and online loyalty programs: Use big data technologies to optimize product portfolios and create synergies between brands and momoshop.



- (2) TV home shopping: Enhance distribution channel's competitiveness by listing more branded products from overseas, cultivating fan bases on social platforms, such as Facebook and LINE, and cooperating with e-commerce suppliers to expand product offerings.

## **2. Long-term plan**

- (1) E-commerce: Increase market share to further dominate B2C market by implementing a multi-channel sales strategy, optimizing search functions, facilitating short-chain logistics efficiency and improving user experience and user interface.
- (2) TV home shopping: Take a pro-active approach in raising momo's brand image, further exploit Southeast Asia's TV shopping market, export best-selling products across multiple countries, leverage the group's marketing resources and sales channels to enhance operating efficiency, and provide innovative services through mobile and cloud platforms.

## **Market and Sales Overview**

### **Market analysis**

#### **Consumer Business Group**

##### **1. Main products and service areas**

The Company provides mobile services nationwide, covering Taiwan and the outlying islands of Kinmen and Matsu.

##### **2. Market status**

The penetration rate for mobile subscription reached 124% at the end of 2019. Despite a mature market, prospects are bright for 5G given rapid innovations in and increasing demand for IoT, mobile services, mobile broadband demand, smart devices and value-added services.

##### **3. Competitive advantages**

- (1) Diversification strategy

The Company integrates telecom, cable and e-commerce to provide diversified telecom bundle plans and increase user stickiness through cross-selling.

- (2) Universal service for digital convergence

The Company provides customers with a universal service for digital convergence, such as myVideo, MyMusic and myBook.

##### **4. Opportunities and challenges**

###### Positive factors

- (1) The rapid growth in 4G adoption has altered the landscape for mobile internet, enriching the variety of value-added services and bringing a massive influx of data on consumer behavior that promises huge business opportunities.
- (2) Taiwan has become an aged society and consumers have become even more health conscious. The Company is looking for partners in the wearable, IoT and health-related domains to create a health-IOT ecosystem.

###### Negative factors

- (1) Changes in how consumers communicate have placed telecoms' voice revenue under pressure.
- (2) 4G unlimited data rate plans have become the mainstream, limiting growth in mobile services, while the cost of investing in 5G spectrum is high.

### Countermeasures

- (1) The Company maps out strategies based on big data and concentric diversification.
- (2) Based on the diversification strategy, the Company provides diversified mobile bundle plans and proactively develops innovative value-added services to boost overall mobile service revenue.

## **Enterprise Business Group**

### **1. Main products and service areas**

EBG provides international services in 247 countries. As of the end of 2019, its roaming services covered the following: 3G: 183 countries, 353 networks; 4G: 107 countries, 180 networks.

### **2. Market status**

Enterprise clients still need voice, data and internet services for their operation. Revenue from services related to mobility, IoT, information security, cloud applications and ICT total solutions has potential to grow significantly.

- (1) Mobile and data services: Given the rising demand for enterprise data access, revenue from IP VPN and Metro Ethernet should remain the main contributor.
- (2) Cloud and IoT services and information security: As the rapid development of enterprise cloud services and IoT has made enterprises more vulnerable to security attacks, regulators are seeking to expand information security rules to combat such attacks. TWM is working with top partners to integrate different cloud and IoT solutions, which should boost the number of clients and lift revenue.
- (3) Enterprise integrated solutions: The 5G rollout has begun and TWM has formed alliances with leading partners from different industries to provide comprehensive enterprise integrated solutions, including mobile applications, IoT, AI, AR/VR and big data applications, security and vertical solutions. These should boost telecom service revenue.
- (4) Voice and internet services: Enterprise demand for fixed lines for local and international calls and the unit price for fixed-to-mobile calls are both expected to continue declining because of rising competition from VoIP and mobile services and the NCC's introduction of mobile termination rate cuts. In contrast, enterprise demand for high-speed internet access service has been rising. However, fierce competition would result in moderate revenue growth.

### **3. Competitive advantages**

- (1) Premium brand equity: The Company provides customer-centric quality services. TWM Business Solution is readily associated with Taiwan Mobile and has won recognition among major enterprises.
- (2) Professional management team and efficient support group: Information security and backup frameworks are key considerations for enterprises adopting an IP-based network. EBG fills this need, having won certifications from EuroCloud Star Audit (ECSA) and Cloud Security Alliance (CSA). Its cloud IDC is the first and only data center in Taiwan to have been awarded Uptime Tier III certifications for design, construction and operational sustainability.
- (3) Customized integrated solutions: Based on enterprise clients' needs, TWM provides customized, one-stop-shopping integrated solutions.
- (4) Expanding resources from international alliances: The Company is the sole Taiwanese member of the Bridge

Alliance, the largest mobile alliance in the Asia-Pacific region with a combined customer base of about 340 million, and cooperates with other leading telecom operators in the alliance to integrate more services and solutions.

## **4. Opportunities and challenges**

### **Positive factors**

- (1) Technology, communication and integration capabilities are critical to forming strategic partnerships to develop enterprise clients.
- (2) Enterprise demand for bigger fixed-line and wireless bandwidth to transport more data and develop more IoT applications should ensure steady demand and revenue growth.
- (3) Tractica forecasts that revenue generated from the direct and indirect application of AI software would grow from US\$5.4 billion in 2017 to US\$105.8 billion by 2025. This represents a significant growth curve for the forecast period with a compound annual growth rate (CAGR) of 44.73%. As AI activities continue to grow, cloud computing, big data transportation, cloud deployment solutions and high-speed computing will be needed. The AI high-speed computing platform Taiwan is well-positioned to benefit from this growth.

### **Negative factors**

- (1) The local loop bottleneck is a major obstacle to fixed-line operators' business expansion, as market leader Chunghwa Telecom continues to dominate with its last mile advantage.
- (2) Industrial and geographical boundaries have become increasingly blurred because of digital convergence. Domestic telecom operators face tough challenges from transnational large-scale content and cloud service companies.

### **Countermeasures**

TWM is continuously developing IoT application services, integrating key 5G capabilities, high-speed broadband, and low-latency, high-reliability, and high-density IoT to support enterprise clients in boosting their operational efficiency. Aside from cooperating with existing business partners, TWM is forming alliances with new partners in different fields. The Company will continue to promote and develop diversified enterprise services and applications, including cloud, AI, IoT, information security and ICT total solutions to create more value and bolster client loyalty.

## **Home Business Group**

### **1. Main products and service areas**

TWM Broadband's main service areas are New Taipei City's Sinhuang and Sijhih districts, Yilan County and Kaohsiung's Fongshan District among others.

### **2. Market status**

- (1) Cable TV

Taiwan's CATV penetration rate has reached over 60% of households, according to NCC data. Watching TV is a major leisure activity in Taiwan – one that is relatively unaffected by fluctuations in the economy. However, intensifying competition from new cable multiple-system operators (MSO), Chunghwa Telecom's MOD system and the emergence of diverse OTT content providers has affected market pricing.

- (2) HD digital TV and broadband internet access

Thanks to rich HD content, stable and quality signals, expanding platforms for viewing TV programs and rapid development of online video services and social media, the high demand for HD digital TV and high-speed broadband Internet access should continue to increase.

### **3. Competitive advantages**

- (1) TWM offers high-speed broadband network transmission which, coupled with its rich digital content and value-added services, should drive digital TV revenue growth.
- (2) The Company can leverage off the group's rich and varied resources to offer innovative digital convergence products and services.

### **4. Opportunities and challenges**

#### Positive factors

- (1) High-speed broadband internet service has become the mainstream.
- (2) Demand for multi-screen viewing of video content has increased, demonstrating the growing importance of digital convergence for families.
- (3) Based on smart home applications, TWM leads the industry in launching comprehensive services, such as A1 Box and HomeSecurity service for communities.

#### Negative factors

- (1) At its 840th meeting on Jan. 23, 2019, the NCC approved proposed changes to Chunghwa Telecom's operation of its multimedia content transmission platform, allowing the company to form its own channel packages, as well as add or remove channels, for its MOD system. The changes place cable TV operators at a disadvantage as they must still obtain the NCC's approval to switch channels, while their pricing schemes have to be reviewed by city/county governments on an annual basis. This unequitable competition could have an impact on the cable TV industry's future.
- (2) With the NCC allowing cable system operators (SO) to expand their service areas, new entrants might resort to cutthroat pricing to grab market share, increasing the risk of subscriber losses for Taiwan Mobile.

#### Countermeasures

- (1) TWM Broadband is observing developments in Taiwan's digital content industry and global industry trends, focusing on providing a richer assortment of digital channels and connected TV content.
- (2) To meet market demand, TWM Broadband launched 1Gbps high-speed broadband service and A1 Box, an open platform integrating cable TV channels and diverse OTT content. TWM plans to extend interactive applications and voice control services in the near future.

### **Retail Business**

#### **1. Main products and service areas**

momo mainly provides e-commerce and TV home shopping services in Taiwan, mainland China and Thailand.

#### **2. Market status**

B2C e-commerce topline growth is accelerating, bolstered by share gains from offline and continued expansion in mobile and streaming platforms.

#### **3. Competitive advantages**

- (1) Scale benefit: momo is the largest B2C e-commerce operator in Taiwan. Thanks to its strengthened market position, its bargaining power has increased, and more first-tier brands are doing direct business with momo, broadening its offerings of high-quality products.
- (2) Solid reputation: momo has built a solid reputation with suppliers and customers in the TV home shopping industry. Besides winning customers' confidence, momo has enhanced suppliers' willingness to entrust their brands to the Company, boosting its diverse range of products.
- (3) Strong support from the group: momo is able to leverage the resources of affiliates – including TWM's mobile, fixed-line and CATV businesses – to create opportunities in digital convergence, mobile platforms and mobile payment mechanisms.

#### **4. Opportunities and challenges**

##### Positive factors

- (1) Mobile usage time and mobile shopping continue to increase.
- (2) E-commerce should continue to benefit from the low penetration rate of online shopping in Taiwan.

##### Negative factors

- (1) High product homogeneity and intensifying market competition have led to margin pressure.
- (2) Risk management of product quality and food safety are increasingly important as momo's scale continues to increase.

##### Countermeasures

- (1) momo has an extensive system of suppliers and a professional product development team. This facilitated its expansion into mobile and streaming platforms, as it already has a trove of best-selling products to tap into, which not only prolonged their product life cycle, but also increased sales volumes and differentiated it from the competition.
- (2) momo has an online shopping mobile app to tap into the mobile commerce market and optimize customer experience. By promoting limited time and live-stream promotions, momo is able to reach more consumers and stimulate buying willingness. The mobile platform also offers convenience, encouraging consumers to increase their shopping frequency.
- (3) momo has a quality control team that visits factories to ensure that suppliers meet manufacturing safety standards. It also outsources product testing and examinations to ensure that raw materials and ingredients, as well as labels, comply with food safety standards.
- (4) momo has enforced measures to filter out controversial or risky products and clearly define obligations between supplier and the company if and when fined.

#### **Main features and production process of major products:**

The Company provides wireless/fixed-line telecom services, digital TV subscription, cable broadband, e-commerce/TV home shopping and integrated information/communication services.

**Supply of raw materials:** Not applicable as the Company is not a manufacturer.

## Major suppliers and customers in the past two years

- A supplier/customer that accounts for at least 10% of consolidated procurement/revenue

### 1. Major suppliers

Unit: NT\$'000

	2018				2019			
	Company	Procurement amount	% of consolidated procurement	Nature of relationship	Company	Procurement amount	% of consolidated procurement	Nature of relationship
1	Company A	7,094,670	11	Third party	Company A	11,149,249	15	Third party
	Others	55,601,722	89		Others	63,711,059	85	
	Total	62,696,392	100		Total	74,860,308	100	

2. Major customers: Not applicable as the Company's revenue from a single customer did not exceed 10% of its total operating revenue.

### 3. Reasons for variation

Procurements from suppliers varied as the Company purchased handsets from different vendors to meet its business development needs and market demand.

**Production volume in the past two years:** Not applicable as the Company is not a manufacturer.

## Sales volume in the past two years

Services		2018		2019	
		Sales volume	Revenue (NT\$'000)	Sales volume	Revenue (NT\$'000)
Mobile	Mobile services ('000 subs at year-end)	7,266	47,890,846	7,178	43,133,841
Domestic fixed telephony	Local calls ('000 minutes) <sup>1</sup>	262,751	469,171	240,493	447,730
	Long distance calls ('000 minutes) <sup>1</sup>	96,074	74,391	84,381	65,883
International fixed telephony	International calls ('000 minutes) <sup>1</sup>	126,916	1,357,753	82,466	1,065,964
Fixed-line data transmission ('000 lines)		190	2,441,281	209	2,485,298
Sales revenue <sup>2</sup>		NA	58,023,078	NA	68,983,292
Others		NA	8,475,808	NA	8,238,905
Total			118,732,328		124,420,913

1: Outgoing minutes only.

2: Including retail sales of handsets, accessories, IT products and 3C home appliances.

## Human Resources

### Employee statistics in the past two years up to publication date

Year		2018	2019	2020 (as of February 24)
Number of employees	Consolidated	7,932	8,268	8,273
	Stand-alone	3,827	3,769	3,766
Education level	Ph.D.	0.20%	0.18%	0.19%
	Master's	13.99%	13.43%	13.39%
	University	58.45%	58.97%	58.94%
	College	16.52%	16.10%	16.02%
	Others	10.84%	11.32%	11.46%
Average age		37.19	37.63	37.74
Average years of service		7.60	7.82	7.92

## Environmental Protection Expenditure

### Loss or penalty due to environmental pollution in 2019 up to publication date in 2020

None

#### Countermeasures:

TWM has taken into consideration any potential risks or breach of environmental regulations in formulating its environmental management system. The Company also closely monitors developments in the government's environmental policies or regulations to be able to design precautionary measures. It does not expect any substantial expenditure arising from environmental pollution.

The Company is committed to protecting the environment and has adopted various measures, such as promoting green procurement, establishing energy-efficient base stations and data centers, minimizing the use of water and paper in offices and stores, recycling waste cables, batteries and handsets, and encouraging users to switch to e-billing and online services.

## Employee Relations

### Employee behavior/ethical standards

The Company has established policies and rules as a guide for employee conduct, rights, responsibilities and ethical standards.

#### Delegation of authority

1. Authorization guidelines and limitations: Aimed at streamlining business processes, strengthening distribution of responsibility, and detailing management authority at each job level.
2. Empowerment and delegation rules: Designed to ensure smooth and normal business operations.
3. Job ranking, title and organizational structure policy: Formulated to correspond to employees' career plans.

#### Work rules

The Company's work rules clearly define the rights and obligations of management and employees. Its modern management

approach has promoted cooperation among employees and benefited the Company.

### **Divisional responsibilities**

The Company's major divisions are separated by functions. Each division is tasked with specific job responsibilities and this separation of functions has strengthened the Company's core competency.

### **Reward and punishment policies**

The Company has drawn up a number of policies on rewards and punishments to encourage employees who have made special contributions to the Company, as well as discourage employees from behaving in a manner deemed damaging to the Company. These policies are stated in the Company's "Work Rules."

### **Employee assessment policy**

Supervisors provide feedback, assistance and map out individual development plans based on employees' performance.

### **Attendance and leave policy**

Enforcement of this policy – designed to serve as a guideline for employees – helps enhance work quality.

### **Business confidentiality policy**

To maintain the Company's competitiveness, employees are required to sign a "Confidentiality and Intellectual Property Rights Statement" and an "Employment Contract" as safeguards against potential damage arising from the disclosure of trade secrets. The Company provides employees with the required information and training courses to strengthen their understanding of information security.

### **Sexual harassment prevention and handling procedures**

The Company's "Work Rules" include regulations on preventing sexual harassment in the workplace and promoting gender equality. The Company disseminates information on laws and procedures for filing complaints on sexual harassment on the intranet to serve as a guideline for employees.

### **Code of Conduct**

The Company and its affiliates have a Code of Conduct that all directors, managers and employees are expected to adhere to and advocate in accordance with the highest ethical standards.

### **Employee benefits program**

1. All employees are entitled to labor insurance, national health insurance and free group insurance coverage for employees and their spouses starting from the first day of work.
2. The Company has an employee share ownership trust (ESOT) and an employee profit-sharing plan.
3. The Company and its subsidiaries had established Employee Welfare Committees to handle and implement employee benefits programs. The committees are in charge of a number of benefits designed to raise employees' quality of life and promote physical and mental well-being, including club activities, company outings, family day, and benefits for special occasions, such as weddings, festivals and funerals.



4. The Company offers high subsidies for phone bills, purchase discounts for company products and flexible working hours, as well as provides maternity leave, sick leave and bereavement leave that exceed the requirements of Taiwan's labor law.

## **Employee training and education program**

1. Training expenses up to January 31, 2020 totaled NT\$19,755,936, with 626,565 attendees taking a total of 384,103.3 training hours.
2. Orientation for new employees includes company profile, culture, brand, company organization, telecommunications market, innovative services, internal network systems, employee health and safety, IT security training and avenues for learning.
3. Core competency development: Develop basic competencies, such as self-management and work management, problem analysis and solution skills, creative thinking, communication and interaction skills, project management, and knowledge of industry trends, basic telecommunications laws and code of ethics; hold service training programs; organize book clubs; and invite celebrity speakers.
4. Management training and development: Separate training programs for entry-level management, middle management and senior management. Training courses include performance management, leadership, strategy management, innovative thinking, team dynamics and organizational development skills, as well as corporate governance seminars.
5. The Company arranges for employees to participate in different programs according to their professional knowledge and skills, including information technology, auditing, human resources, marketing, procurement, safety, finances, accounting and telecommunications technology. These activities have a profound impact on upgrading the Company's technologies, developing new products, introducing new and innovative ideas, and improving managerial skills.
6. The Company has a scholarship program for employees to develop their expertise in telecommunication technologies, digital technologies and business administration.
7. The Company sponsors external training courses for all employees annually. Employees can select courses that combine their personal interests and job needs to reap the maximum benefits from these training sessions.

## **Retirement plan and implementation**

### **1. Old Labor Pension System**

The Company has published its Employee Retirement Guidelines and formed a Labor Pension Supervisory Committee in accordance with the law. In addition, the Company retains the services of an actuary to assess and calculate labor pension reserves and provide a detailed report annually. It contributes a sum equivalent to 2% of a worker's monthly wage into a special labor pension account as a reserve fund to pay retirees.

As of February 2020, the accumulated reserve fund was NT\$604,754,000.

### **2. New Labor Pension System**

The Company implemented the New Labor Pension System in July 2005. It deposits 6% of a worker's monthly wage into an individual labor pension account managed by the Bureau of Labor Insurance, with ownership going to the worker.

A total of NT\$155,005,000 was deposited in 2019.

### **3. Retirement policy**

The Company regulates its retirement policy in accordance with labor laws. It also offers the option of early retirement for employees who have worked for at least five years with the Company, which plus his/her age would equal 65 years or above, subject to the Chairman's approval.

## **Employee safety and health policy**

The Company endeavors to contain potential hazards in the workplace, as well as build and promote a safety culture, by observing the following:

1. Regulatory compliance: Follow all rules and regulations pertaining to occupational safety and health and conduct periodic reviews of compliance.
2. Risk control: Implement measures to identify safety risks at work to minimize hazards and prevent injuries or diseases.
3. Consultation and communication: Enhance employee knowledge of the importance of health and safety and encourage them to participate in and take responsibility for their personal health and safety.
4. Healthcare: Organize health-oriented activities and promote care for employees' physical and mental health.
5. Performance evaluation: Conduct systematic evaluations of these measures to gauge their effectiveness and improve health and safety standards.

The Company's employee safety and health policy is posted on the intranet and is summarized as follows:

1. Occupational Safety and Health Management System (OHSAS 18001:2007) certification: Its aim is to constantly improve health and safety management in order to reduce risks in the workplace.
2. A unit dedicated to conducting environmental inspections and carrying out employee sanitary training courses was established in accordance with regulations.
3. An Occupational Safety and Health Committee was set up to meet every three months to draft a plan to prevent job injuries, ensure compliance, and conduct periodic reviews of related rules on employee health and sanitary improvement solutions.
4. Full-time professional nursing personnel are employed to perform health checks, track the progress of staff who failed their health examinations, and hold talks on health promotion. Employees who are able to administer first aid treatment have been placed in each work area.
5. Each office site is equipped with an automated external defibrillator and staffed with a sufficient number of first-aid personnel.
6. Fire/flood protection exercises are held regularly every six months to reduce risks of employee injury and property loss from natural disasters.
7. Guards and security systems have been installed at all main base stations and work offices to protect staff, property and information security.

## **Employee negotiations and protection of employee benefits**

The Company, working under the management and employees as one concept and the belief that a win-win situation can be achieved when the two sides work together, has followed relevant labor laws and regulations, held quarterly employee communication forums hosted by the President and management/employee meetings to facilitate communication, develop comprehensive communication channels between management and employees, and promoted employee benefits to build a harmonious and satisfactory management/employee relationship.

## **Losses caused by employee disputes in 2019 and up to publication date in 2020:**

The Company maintains a harmonious management/employee relationship and there were no material disputes.

**Number of disabilities due to on-the-job injuries/fatalities in 2019 and up to publication date in 2020:**

Year	2019	2020 (as of February 24)
Number of disabilities	3	0
Disabling Frequency Rate <sup>1</sup> (FR)	0.41	0
Disabling Severity Rate <sup>2</sup> (SR)	1.52	0

Note 1: The number of injuries resulting in fatalities and permanent total disabilities cases per million hours worked.

Note 2: The number of workdays lost due to fatalities, permanent total disabilities per million hours worked.

## Major Contracts

Nature	Counterpart	Contract period	Description	Restriction clauses
Long-term credit facility	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Taipei Branch	2018.07.30~2021.07.30	Long-term loan of NT\$2 billion	Non-disclosure
	Sumitomo Mitsui Banking Corp., Taipei Branch	2019.01.31~2021.01.31	Long-term loan of NT\$4 billion	Non-disclosure
	Mizuho Bank, Ltd., Taipei Branch	2019.04.14~2021.04.14	Long-term loan of NT\$4 billion	Non-disclosure
Strategic alliance	Bridge Alliance	2004.11.03~present	Joined Bridge Alliance	Non-disclosure
Procurement	Apple Asia LLC	2019.06.01~2022.05.31	Procurement agreement for iPhone	Non-disclosure
		2017.11.01~2020.10.31	Procurement agreement for iPad	
	Samsung Electronics Taiwan Co., Ltd.	2019.11.01~2020.10.31	Sales and supply agreement	Non-disclosure
	OPPO Taiwan	2018.01.18~present	Distribution agreement	Non-disclosure
Procurement	Nokia Solutions and Networks Taiwan Co., Ltd.	2019.04.01~2021.03.31	4G equipment supply contract for 2019 set at under NT\$4.682 billion	Non-disclosure
momo				
Land purchase by momo	Yi Jinn Industrial Co., Ltd.	2019.07.31	momo purchased a plot of land in Tainan	None

## Chapter 5 Financial Highlights

### Condensed Balance Sheets and Statements of Comprehensive Income

#### Consolidated condensed balance sheet (2015-2019)

Unit: NT\$'000

		2015	2016	2017	2018	2019
Current assets		34,174,935	34,280,112	32,351,117	29,068,887	29,905,700
Investments		4,958,924	5,412,671	6,049,714	6,199,506	6,723,913
Property, plant and equipment (PP&E)		47,247,121	42,415,229	41,603,421	38,855,960	36,182,005
Intangible assets		62,402,424	59,677,982	65,372,820	62,175,645	59,078,475
Other assets		7,302,269	9,591,411	9,145,682	11,367,030	22,029,866
Total assets		156,085,673	151,377,405	154,522,754	147,667,028	153,919,959
Current liabilities	Before appropriation	59,232,218	38,144,597	56,479,086	41,883,503	44,522,956
	After appropriation	74,475,873	53,388,252	71,722,741	57,249,726	(Note1)
Non-current liabilities		31,561,731	47,046,273	32,532,067	37,789,829	35,220,728
Total liabilities	Before appropriation	90,793,949	85,190,870	89,011,153	79,673,332	79,743,684
	After appropriation	106,037,604	100,434,525	104,254,808	95,039,555	(Note1)
Equity attributable to owners of the parent company		59,555,705	60,416,890	59,631,863	61,881,520	68,017,291
Paid-in capital		34,208,328	34,208,328	34,208,328	34,238,338	35,093,545
Capital surplus	Before appropriation	14,586,376	14,985,047	13,939,278	12,580,692	20,274,694
	After appropriation	14,586,376	13,917,991	12,306,029	12,580,692	(Note1)
Retained earnings	Before appropriation	41,652,299	41,630,893	41,564,304	44,875,215	41,927,491
	After appropriation	26,408,644	27,454,294	27,953,898	29,508,992	(Note1)
Other equity interests		(1,173,954)	(690,034)	(362,703)	(95,381)	438,905
Treasury stock		(29,717,344)	(29,717,344)	(29,717,344)	(29,717,344)	(29,717,344)
Non-controlling interest		5,736,019	5,769,645	5,879,738	6,112,176	6,158,984
Total equity	Before appropriation	65,291,724	66,186,535	65,511,601	67,993,696	74,176,275
	After appropriation	50,048,069	50,942,880	50,267,946	52,627,473	(Note1)

Note 1: The appropriation amount for 2019 still has to be approved at the AGM.

Note 2: All financial data have been duly audited by independent auditors.

## Stand-alone condensed balance sheet (2015-2019)

Unit: NT\$'000

		2015	2016	2017	2018	2019
Current assets		19,357,631	22,561,728	21,583,398	17,738,839	16,835,738
Investments		44,904,267	42,250,372	43,077,320	43,791,521	45,171,026
Property, plant and equipment (PP&E)		32,709,888	27,081,627	24,193,665	22,249,874	19,711,168
Intangible assets		40,441,171	38,039,908	44,004,623	41,053,072	38,300,915
Other assets		5,470,595	8,715,470	8,110,376	10,229,894	19,087,499
Total assets		142,883,552	138,649,105	140,969,382	135,063,200	139,106,346
Current liabilities	Before appropriation	58,318,339	37,044,613	54,419,482	40,842,446	42,009,716
	After appropriation	73,561,994	52,288,268	69,663,137	56,208,669	(Note1)
Non-current liabilities		25,009,508	41,187,602	26,918,037	32,339,234	29,079,339
Total liabilities	Before appropriation	83,327,847	78,232,215	81,337,519	73,181,680	71,089,055
	After appropriation	98,571,502	93,475,870	96,581,174	88,547,903	(Note1)
Paid-in capital		34,208,328	34,208,328	34,208,328	34,238,338	35,093,545
Capital surplus	Before appropriation	14,586,376	14,985,047	13,939,278	12,580,692	20,274,694
	After appropriation	14,586,376	13,917,991	12,306,029	12,580,692	(Note1)
Retained earnings	Before appropriation	41,652,299	41,630,893	41,564,304	44,875,215	41,927,491
	After appropriation	26,408,644	27,454,294	27,953,898	29,508,992	(Note1)
Other equity interests		(1,173,954)	(690,034)	(362,703)	(95,381)	438,905
Treasury stock		(29,717,344)	(29,717,344)	(29,717,344)	(29,717,344)	(29,717,344)
Total equity	Before appropriation	59,555,705	60,416,890	59,631,863	61,881,520	68,017,291
	After appropriation	44,312,050	45,173,235	44,388,208	46,515,297	(Note1)

Note 1: The appropriation amount for 2019 still has to be approved at the AGM.

Note 2: All financial data have been duly audited by independent auditors.

## Consolidated statements of comprehensive income (2015-2019)

Unit: NT\$'000

	2015	2016	2017	2018	2019
Operating revenue	116,144,205	116,647,498	117,171,107	118,732,328	124,420,913
Gross profit	36,359,070	37,856,980	35,725,991	34,416,594	32,808,735
Operating income	18,769,149	20,019,766	19,092,412	18,162,042	17,193,335
Non-operating income (expenses)	(603,199)	(828,294)	(1,461,129)	(472,825)	(611,525)
Pre-tax income	18,165,950	19,191,472	17,631,283	17,689,217	16,581,810
Net income	16,168,029	15,928,443	14,948,787	14,485,768	13,291,867
Other comprehensive income (after tax)	(1,091,109)	351,303	215,294	98,554	487,173
Comprehensive income	15,076,920	16,279,746	15,164,081	14,584,322	13,779,040
Profit attributable to owners of the parent company	15,686,186	15,320,187	14,192,176	13,642,172	12,481,167
Profit attributable to non-controlling interest	481,843	608,256	756,611	843,596	810,700
Comprehensive income attributable to owners of parent company	14,681,379	15,706,230	14,437,341	13,768,068	12,971,397
Comprehensive income attributable to non-controlling interest	395,541	573,516	726,740	816,254	807,643
EPS (NT\$)	5.76	5.63	5.21	5.01	4.51

Note: All financial data have been duly audited by independent auditors.

## Stand-alone statements of comprehensive income (2015-2019)

Unit: NT\$'000

	2015	2016	2017	2018	2019
Operating revenue	83,710,453	80,543,403	73,612,276	65,545,627	62,426,270
Net gross profit	31,521,743	29,927,702	25,138,921	22,528,422	20,285,294
Operating income	12,397,268	15,401,232	12,094,034	10,465,707	9,198,843
Non-operating income (expenses)	4,366,737	2,369,009	3,672,554	5,071,356	4,963,642
Pre-tax income	16,764,005	17,770,241	15,766,588	15,537,063	14,162,485
Net income	15,686,186	15,320,187	14,192,176	13,642,172	12,481,167
Other comprehensive income (after tax)	(1,004,807)	386,043	245,165	125,896	490,230
Comprehensive income	14,681,379	15,706,230	14,437,341	13,768,068	12,971,397
EPS (NT\$)	5.76	5.63	5.21	5.01	4.51

Note: All financial data have been duly audited by independent auditors.

## Independent auditors' names and their audit opinions for the past five years

Year	Accounting firm	Name of CPA	Opinion
2015	Deloitte & Touche	Li-Wen Kuo, Kwan-Chung Lai	Modified unqualified opinion
2016	Deloitte & Touche	Li-Wen Kuo, Kwan-Chung Lai	Unqualified opinion
2017	Deloitte & Touche	Li-Wen Kuo, Kwan-Chung Lai	Unqualified opinion
2018	Deloitte & Touche	Li-Wen Kuo, Kwan-Chung Lai	Unqualified opinion
2019	Deloitte & Touche	Li-Wen Kuo, Kwan-Chung Lai	Unqualified opinion

# Financial Analysis

## Consolidated financial analysis (2015-2019)

		2015	2016	2017	2018	2019
Financial structure	Liabilities to assets ratio (%)	58.17	56.28	57.60	53.95	51.81
	Long-term fund to PP&E ratio (%)	192.85	253.36	221.53	256.51	285.33
Solvency	Current ratio (%)	57.70	89.87	57.28	69.40	67.17
	Quick ratio (%)	49.88	77.88	48.71	58.59	53.39
	Interest coverage ratio (%)	2,585.36	2,949.77	2,883.04	3,039.18	2,984.90
Operations	Accounts receivable turnover <sup>1</sup> (x)	5.57	5.55	5.85	14.08	14.81
	Average collection days <sup>1</sup>	65.52	65.76	62.39	25.92	24.64
	Inventory turnover (x)	12.46	11.08	11.58	12.70	12.92
	Accounts payable turnover (x)	11.11	11.45	10.57	11.20	12.44
	Average days sales	29.29	32.94	31.51	28.74	28.25
	Property, plant and equipment turnover (x)	2.46	2.60	2.79	2.95	3.32
	Total asset turnover (x)	0.75	0.76	0.77	0.77	0.80
Profitability	Return on assets (%)	10.84	10.72	10.12	9.77	8.83
	Return on equity attributable to owners of the parent company (%)	26.19	25.54	23.64	21.84	19.21
	Pre-tax income as a % of paid-in capital	53.10	56.10	51.54	51.66	47.25
	Net income margin (%)	13.92	13.66	12.76	12.20	10.68
	EPS (NT\$)	5.76	5.63	5.21	5.01	4.51
Cash flow	Cash flow ratio (%)	43.57	83.45	53.68	71.09	67.87
	Cash flow adequacy ratio (%)	99.96	99.82	100.84	107.37	112.96
	Cash reinvestment rate (%)	5.43	8.79	7.79	7.45	7.58
Leverage	Operating leverage	2.84	2.74	2.79	2.88	2.93
	Financial leverage	1.04	1.03	1.03	1.03	1.03

Note 1: In accordance with IFRS 15 "Revenue from Contracts with Customers" accounts receivables of bundle sales are recognized as contract assets since 2018, causing significant changes of relative ratios in 2018 compared with the previous year.

## Stand-alone financial analysis (2015-2019)

		2015	2016	2017	2018	2019
Financial structure	Liabilities to assets ratio (%)	58.32	56.42	57.70	54.18	51.10
	Long-term fund to PP&E ratio (%)	258.53	375.18	357.74	423.47	492.60
Solvency	Current ratio (%)	33.19	60.90	39.66	43.43	40.08
	Quick ratio (%)	25.78	50.07	33.15	37.24	31.97
	Interest coverage ratio (%)	2,426.13	2,887.46	2,716.04	2,700.99	2,603.12
Operations	Accounts receivable turnover <sup>1</sup> (x)	5.58	4.56	3.97	9.33	9.32
	Average collection days <sup>1</sup>	65.41	80.04	91.93	39.12	39.16
	Inventory turnover (x)	8.34	6.07	6.19	6.23	6.87
	Accounts payable turnover (x)	13.52	14.38	13.32	17.67	27.34
	Average days sales	43.76	60.13	58.96	58.58	53.12
	Property, plant and equipment turnover (x)	2.58	2.69	2.87	2.82	2.98
	Total asset turnover (x)	0.59	0.57	0.53	0.47	0.44
Profitability	Return on assets (%)	11.49	11.26	10.51	10.08	9.14
	Return on equity (%)	26.19	25.54	23.64	21.84	19.21
	Pre-tax income as a % of paid-in capital	49.01	51.95	46.09	45.38	40.36
	Net profit margin (%)	18.74	19.02	19.28	20.81	19.99
	EPS (NT\$)	5.76	5.63	5.21	5.01	4.51
Cash flow	Cash flow ratio (%)	28.39	60.67	38.65	48.50	48.38
	Cash flow adequacy ratio (%)	77.55	74.13	76.51	83.91	89.36
	Cash reinvestment rate (%)	0.75	4.26	3.45	2.68	2.93
Leverage	Operating leverage	3.28	2.93	3.38	3.69	3.92
	Financial leverage	1.06	1.04	1.05	1.06	1.07

### Explanation of significant changes in 2019 compared with the previous year:

Accounts payable turnover increased in 2019 compared with 2018 due to lower average inventory in 2019

Note 1: In accordance with IFRS 15 "Revenue from Contracts with Customers," accounts receivables of bundled sales are recognized as contract assets since 2018, causing significant changes of relative ratios in 2018 compared with the previous year.



Note 1: The financial data for 2015-2019 have been duly audited by independent auditors.

Note 2: Formulas for the above tables:

Financial structure

- (1) Debt to asset ratio = Total liabilities / Total assets
- (2) Long-term fund to PP&E ratio = (Shareholders' equity + Long-term liabilities) / Net PP&E

Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities
- (3) Interest coverage ratio = Income before interest and taxes / Interest expense

Operations

- (1) Accounts receivable turnover = Net revenue / Average accounts receivable
- (2) Average collection days = 365 / AR turnover
- (3) Inventory turnover = COGS / Average inventory
- (4) Accounts payable turnover = COGS / Average accounts payable
- (5) Average days sales = 365 / Inventory turnover
- (6) PP&E turnover = Net revenue / Average net PP&E
- (7) Total asset turnover = Net revenue / Average total assets

Profitability

- (1) Return on assets = [Net income + Interest expense x (1 – Tax rate)] / Average assets
- (2) Return on equity = Net income / Average equity
- (3) Net income margin = Net income / Net sales
- (4) EPS = (Net income – Preferred stock dividends) / Weighted average outstanding shares

Cash flow

- (1) Cash flow ratio = Cash flow from operating activities / Current liabilities
  - (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditure + Increases in inventory + Cash dividends for the past 5 years)
  - (3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross PP&E + Long-term investments + Other assets + Working capital)
- (Note: Use zero if working capital value is negative)

Leverage

- (1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income
- (2) Financial leverage = Operating income / (Operating income – Interest expense)

## Audit Committee Report



Taiwan Mobile Co., Ltd.

### Audit Committee Report

February 21, 2020

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2019 business report and financial statements to the Audit Committee. The CPA firm, Deloitte & Touche, was retained by the Board to audit TWM's financial statements and has issued an audit report relating to the financial statements. The business report and financial statements have been reviewed and determined to be correct and accurate by the Audit Committee of TWM. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Taiwan Mobile Co., Ltd.

A handwritten signature in black ink, appearing to read "Hsueh-Jen Sung".

Hsueh-Jen Sung

Chairman of the Audit Committee

**2019 Consolidated Financial Statements:**

Refer to the attachment.

**2019 Stand-alone Financial Statements:**

Refer to the attachment.

**Financial Difficulties for the Company and its Affiliates:**

None

## Chapter 6 Review and Analysis of Financial Conditions, Operating Results and Risk Management

### Balance Sheet Analysis

#### Consolidated balance sheet analysis

Explanation of significant changes (at least a 20% change) in the past two years' assets, liabilities and equity:

1. Other assets increased mainly due to the recognition of right-of-use assets after adopting IFRS 16 "Leases".
2. Capital surplus increased mainly due to the conversion premium of convertible bonds.

#### 2018 - 2019 Consolidated Balance Sheet

Unit: NT\$'000, %

	2018	2019	YoY change	
			Amount	%
Current assets	29,068,887	29,905,700	836,813	2.88
Investments	6,199,506	6,723,913	524,407	8.46
Property, plant and equipment	38,855,960	36,182,005	(2,673,955)	(6.88)
Intangible assets	62,175,645	59,078,475	(3,097,170)	(4.98)
Other assets	11,367,030	22,029,866	10,662,836	93.80
Total assets	147,667,028	153,919,959	6,252,931	4.23
Current liabilities	41,883,503	44,522,956	2,639,453	6.30
Non-current liabilities	37,789,829	35,220,728	(2,569,101)	(6.80)
Total liabilities	79,673,332	79,743,684	70,352	0.09
Paid-in capital	34,238,338	35,093,545	855,207	2.50
Capital surplus	12,580,692	20,274,694	7,694,002	61.16
Retained earnings	44,875,215	41,927,491	(2,947,724)	(6.57)
Other equity and treasury stock	(29,812,725)	(29,278,439)	534,286	(1.79)
Non-controlling interests	6,112,176	6,158,984	46,808	0.77
Total equity	67,993,696	74,176,275	6,182,579	9.09

## Stand-alone balance sheet analysis

Explanation of significant changes (at least a 20% change) in the past two years' assets, liabilities and equity:

1. Other assets increased mainly due to the recognition of right-of-use assets after adopting IFRS 16 "Leases".
2. Capital surplus increased mainly due to the conversion premium of convertible bonds.

### 2018- 2019 Stand-alone Balance Sheet

Unit: NT\$'000, %

	2018	2019	YoY change	
			Amount	%
Current assets	17,738,839	16,835,738	(903,101)	(5.09)
Investments	43,791,521	45,171,026	1,379,505	3.15
Property, plant and equipment	22,249,874	19,711,168	(2,538,706)	(11.41)
Intangible assets	41,053,072	38,300,915	(2,752,157)	(6.70)
Other assets	10,229,894	19,087,499	8,857,605	86.59
Total assets	135,063,200	139,106,346	4,043,146	2.99
Current liabilities	40,842,446	42,009,716	1,167,270	2.86
Non-current liabilities	32,339,234	29,079,339	(3,259,895)	(10.08)
Total liabilities	73,181,680	71,089,055	(2,092,625)	(2.86)
Paid-in capital	34,238,338	35,093,545	855,207	2.50
Capital surplus	12,580,692	20,274,694	7,694,002	61.16
Retained earnings	44,875,215	41,927,491	(2,947,724)	(6.57)
Other equity and treasury stock	(29,812,725)	(29,278,439)	534,286	(1.79)
Total equity	61,881,520	68,017,291	6,135,771	9.92

**Impact of changes in financial conditions on financial results:** No significant impact

**Preventive measures:** Not applicable

# Statements of Comprehensive Income Analysis

## Consolidated statements of comprehensive income

Explanation of significant changes in the past two years' operating revenue, operating income and income before tax:

Non-operating expenses increased mainly due to an increase in losses on disposal of property, plant and equipment.

### 2018 - 2019 Consolidated Statements of Comprehensive Income

Unit: NT\$'000, %

	2018	2019	YoY change	
			Amount	%
Operating revenue	118,732,328	124,420,913	5,688,585	4.79
Operating costs	84,315,734	91,612,178	7,296,444	8.65
Gross profit	34,416,594	32,808,735	(1,607,859)	(4.67)
Operating expenses	16,885,497	16,115,167	(770,330)	(4.56)
Operating income	18,162,042	17,193,335	(968,707)	(5.33)
Non-operating income (expenses)	(472,825)	(611,525)	(138,700)	29.33
Income before tax	17,689,217	16,581,810	(1,107,407)	(6.26)
Net income	14,485,768	13,291,867	(1,193,901)	(8.24)

## Stand-alone statements of comprehensive income

Explanation of significant changes in the past two years' operating revenue, operating income and income before tax:

No significant changes.

### 2018 - 2019 Stand-alone Statements of Comprehensive Income

Unit: NT\$'000, %

	2018	2019	YoY change	
			Amount	%
Operating revenue	65,545,627	62,426,270	(3,119,357)	(4.76)
Operating costs	43,017,205	42,140,467	(876,738)	(2.04)
Net gross profit	22,528,422	20,285,294	(2,243,128)	(9.96)
Operating expenses	12,699,653	11,315,316	(1,384,337)	(10.90)
Operating income	10,465,707	9,198,843	(1,266,864)	(12.10)
Non-operating income (expenses)	5,071,356	4,963,642	(107,714)	(2.12)
Income before tax	15,537,063	14,162,485	(1,374,578)	(8.85)
Net income	13,642,172	12,481,167	(1,161,005)	(8.51)

## Revenue outlook, key assumptions, potential impact on the Company's business and corresponding proposal:

TWM is expected to launch 5G services in the second half of 2020. Its financial performance will inevitably be affected in 2020 because of higher amortization costs for 5G spectrum and network construction, in addition to a low penetration rate in the early stage. The Company will continuously work on enriching content, developing 5G applications, and creating exclusive deals with device partners to boost revenue and ARPU. It will also seek potential opportunities for cooperation, such as co-networking or collaborating with other service providers by carrier aggregation to generate additional earnings and synergy, and enhance return on investment by maximizing spectrum value.

## Cash Flow Analysis

### Consolidated cash flow analysis

Increase in cash outflow from investment activities: Cash outflow increased mainly due to the return of a counter security deposit in 2018.

#### 2018 - 2019 Consolidated Cash Flow Statement

Unit: NT\$'000, %

	2018	2019	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	29,775,655	30,216,415	440,760	1.48
Cash inflow (outflow) from investment activities	(5,526,329)	(8,373,281)	(2,846,952)	51.52
Cash inflow (outflow) from financing activities	(23,380,419)	(20,674,495)	2,705,924	(11.57)
Impact from changes in exchange rate	(1,741)	(3,979)	(2,238)	128.55
Net cash increase (decrease)	867,166	1,164,660	297,494	34.31

### Stand-alone cash flow analysis:

No significant changes

#### 2018 - 2019 Stand-alone Cash Flow Statement

Unit: NT\$'000, %

	2018	2019	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	19,806,632	20,323,058	516,426	2.61
Cash inflow (outflow) from investment activities	1,992,191	(966,995)	(2,959,186)	NM
Cash inflow (outflow) from financing activities	(21,327,009)	(19,502,491)	1,824,518	(8.55)
Net cash increase (decrease)	471,814	(146,428)	(618,242)	NM

**Plans to improve negative liquidity:** Not applicable

### Projected consolidated cash flow for 2020

1. Projected cash inflow from operating activities: Expected to remain relatively stable
2. Projected cash outflow from investment activities: For 5G license fees and other capital expenditure
3. Projected cash inflow from financing activities: From corporate bond issuance

#### 2020 Consolidated Projected Cash Flow

Unit: NT\$'000

Cash balance, beginning of the year (1)	Forecast net cash inflow from operations (2)	Forecast cash outflow from investment and financing activities (3)	Cash balance, end of the year (1) + (2) - (3)	Source of funding for negative cash balance	
				Cash inflow from investment activities	Cash inflow from financing activities
8,663,370	28,572,903	28,568,095	8,668,178	—	—

**Source of Funding for Negative Cash Flow in 2020:** Not applicable

## **Analysis of Major Capex and its Impact on Finance and Operations**

The Company funds its major capex with internally generated cash flows.

## **Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and Future Investment Plan**

Taiwan Mobile focuses on making long-term and strategic investments. The objective is to strengthen and diversify its core business activities and expand into new fields to create synergies.

In 2019, on a consolidated basis, TWM's investment income from long-term investments under the equity method amounted to NT\$10,488 thousand as the operations of said investments stabilized. For future investments, TWM will continue to make decisions based on prudent strategic assessments.

## **Risk Management**

### **Impact of inflation, interest and exchange rate fluctuations, and preventive measures:**

1. Impact of interest rate fluctuations

Interest rate fluctuations had a minimal impact on TWM's 2019 short-term bank borrowings, as interest rates remained low and stable. The Company has mid-term loan facilities with banks and mid-to-long-term straight bond issuances to lock in mid-to-long-term interest rates and minimize impacts from interest rate fluctuations.

2. Impact of exchange rate fluctuations

Only some of the Company's payments are denominated in euros and US dollars. To minimize the impact from foreign exchange rate fluctuations, the Company hedges risks through foreign exchange spot market transactions. Overall, exchange rate fluctuations had an insignificant impact on the Company.

3. Impact of inflation

Inflation had a minor impact on the Company's operating performance in 2019 up to the publication date in 2020.

### **Investment policy and reasons for gains & losses for high-risk/high-leverage financial products, derivatives, loans to others and guarantees of debts:**

1. The Company was not involved in any high-risk, high-leverage financial investment.

2. The Company passed the Rules and Procedures on Lending and Making Endorsement/Guarantees to supervise its financing and endorsement activities. As the counterparties in its loans and guarantees are all its subsidiaries, there is minimal operating risk.

3. Derivatives transaction: None.

### **Expected benefits and risks from mergers in 2019 up to publication date in 2020:** None.



## Future research and development plans

Project name	Objective
Intelligence collection model	Use AI machine learning algorithms to optimize collection process.
M+	Integrate Cloud PBX to enrich voice communication and expand our enterprise customer base.
myVideo	Integrate video service with smart speaker; develop 5G video applications; and provide AR/VR services.
Smarter Home	Provide more localization services and payment mechanisms by integrating smart speakers with smart home appliances.

## Expected research and development expenses

The projected research and development expense for 2020 is NT\$242,995,000.

## Regulatory changes and developments

### 1. Passage of Telecommunications Management Act and allowing Spectrum and Network Sharing

#### (1) Status

The Legislative Yuan passed the Telecommunications Management Act (the "Act") on May 31, 2019. Telecommunications enterprises are not mandatory to build their own network, while allowing them to establish either by oneself, with another, or by others. In addition, it allows the sharing and use of the radio frequency, giving them more flexibility and making for more efficient network and spectrum usage.

The Act also allows telecommunications enterprises to provide domestic roaming services in 86 remote areas and outlying areas across Taiwan, allowing users to enjoy better mobile network quality.

#### (1) Countermeasures

The Telecommunications Management Act is conducive to the effective use of resources. The company will integrate its network and frequency resources in accordance with the law to provide users with better service quality.

### 2. NCC completes the first 5G spectrum auction, with total bids reaching NT\$142.191 billion

#### Status

Total bids in the 3.5GHz band reached NT\$140.5 billion. The Company secured the best 5G spectrum combination, spending NT\$30.4 billion on 60 MHz in the 3.5GHz band and NT\$206 million on 200MHz in the 28GHz band. With total bids for 3.5GHz exceeding the official target, the government is expected to use the excess budget to assist the industry in accelerating 5G construction.

#### Countermeasures

The Company obtained sufficient 3.5MHz and 28GHz bandwidth to support high-speed networks for 5G services and various vertical applications in the next 10 years. It plans to invest the remaining funds from its bidding budget to build 5G networks. It will also pursue collaborations with other operators to lease or combine 5G networks and share 5G spectrum.

### **3. Reduction of wholesale IP peering price**

#### **(1) Status**

Using the average price in the Asia-Pacific region as a reference, the NCC approved Chunghwa Telecom's new wholesale pricing scheme on April 3, 2019, which lowered the private peering price of IP network interconnections by 30.25% from NT\$119 per Mbps to NT\$83 per Mbps. This scheme took effect retroactively on April 1, 2019.

#### **(2) Countermeasures**

This reduction has lowered the Company's private peering cost, which is beneficial to the Company as it offers various digital economy services to satisfy clients' needs.

### **4. "A la carte" pricing for basic channels has been postponed until 2021**

#### **(1) Status**

On June 12, 2019, the NCC Committee Meeting passed a proposed tiered-pricing policy for cable TV subscription, which would require system operators to provide at least two sets of HD or ultra-HD basic channel combinations. However, local governments have not had time to draft supporting measures as they have since August been busy reviewing cable rates. As such, the policy has been postponed to next year.

#### **Countermeasures**

The implementation of "a la carte" pricing for basic channels is expected to have a significant impact on the cable TV industry. The Company is closely monitoring the progress of the policy and continues to communicate with the NCC in hopes of creating a more favorable viewing environment for consumers and a regulatory environment for the industry's development.

## **Technology changes and development**

### **1. Mobile broadband access network**

TWM availed of the following opportunities:

- a) To improve LTE throughput and capacity, TWM re-farmed another 5MHz of 2100 band spectrum from UMTS to deliver LTE services in 2019. And in densely urban areas, narrow-beam antennas were deployed to split high loading sectors to improve user experience.
- b) LTE intelligent power saving function was enabled to reduce base stations' energy consumption during low traffic hours.
- c) Guard band NB-IoT technology was introduced to improve spectrum efficiency and throughput.
- d) Invested in 5G New Radio technology research and participated in 5G spectrum bidding. This helps ensure that policies are evaluated on the basis of industrial development, consumer demand and operating costs.

TWM will continue to focus on providing mobile broadband services with the best speed, coverage and customer experience to maintain its competitive edge.

### **2. Network technology development**

#### **(1) Status**

- a) The finalization of 3GPP R15 Non-Standalone/Standalone (NSA/SA) standards provided a solid foundation for the successful commercialization of 5G. More operators started launching 5G networks and services in 2019.

- b) 5G will drive new business models and innovative services, as well as give rise to new threats. Safeguarding information security and privacy will be basic requirements on the 5G network platform.

(2) Countermeasures

- a) TWM is planning to launch 5G networks in NSA Option 3 configuration in 2020.
- b) 5G networks can provide highly valuable critical services. Besides mobile data virtual private network (MDVPN) and network slicing, TWM will provide network-enabled security as a service, such as network enforced security policies, authentication, key management and data security services.

### **3. IDC and cloud related services**

(1) Status

The Market Intelligence & Consulting Institute (MIC) projects that in 2020, IoT, AI, cloud computing, edge computing and 5G will play key roles in the technology industry's development. These technologies interact with one another, such as the cloud and edge computing driving the evolution of computing architecture, fueled by the high bandwidth and low latency of 5G networks. Such technological evolution would lead to the growth of demand for data centers. Security vulnerabilities also led to more stringent requirements for data centers. Organizations will need to adopt more policies regarding data center equipment, services, contractors, suppliers and staff. Climate change also forced a fresh review of resiliency planning.

(2) Countermeasures

In line with the demand for tighter data center security, TWM's infrastructure as a service (IaaS) received ISO 27018 certification for personal information security. TWM also developed a resiliency plan to address the threat of climate change. Its cloud data center received not only ISO 14001 certification for environmental management, but also the Green Grid PUE silver certification for achieving a power usage effectiveness (PUE) of 1.5. TWM's strategy is to cooperate with world-class public cloud vendors and deliver a complete portfolio of public cloud services to enterprises. The Company is also developing AI solutions, enhancing its information security, service quality and cloud services, and complementing them with a world-class cloud IDC infrastructure.

### **Impact of changes in brand image on the Company's risk management policies in 2019 up to publication date in 2020:**

None. The Company has long built up a sound image among investors and customers for its continuing efforts to enhance corporate governance, network communication quality and customer service, as well as to fulfill its corporate social responsibility. These efforts won numerous recognitions and awards in 2019 (please refer to Chapter 1) and should aid the Company in preventing, controlling and managing latent risks that it may face and help it maintain its good corporate image.

### **Expected benefits and risks from mergers in 2019 up to publication date in 2020:**

None.

### **Expected benefits and risks related to plant facility expansions in 2019 up to publication date in 2020:**

Not applicable as the Company is not a manufacturer.

### **Risks from supplier and buyer concentration in 2019 up to publication date in 2020:**

The Company has minimal risks from supplier and buyer concentration (please refer to Chapter 4)

**Significant changes in shareholdings of directors and major shareholders in 2019 up to publication date in 2020:** None.

**Changes in management controls in 2019 up to publication date in 2020:** None.

**Significant lawsuits and non-litigious matters in 2019 up to publication date in 2020**

**1. The Company:**

**(1) Spectrum dispute between Far EasTone Telecommunications Co., Ltd. ("FET") and Taiwan Mobile ("the Company")**

**Parties Involved:** FET is the plaintiff and the Company is the defendant.

**Grounds for Lawsuit:**

FET filed a lawsuit demanding that the Company: (a) file an immediate application to return the spectrum block 1748.7-1754.9 / 1843.7-1849.9 MHz (hereinafter referred to as "C4 spectrum block") to the National Communications Commission ("NCC"); (b) stop using the C4 spectrum block in any way, (c) stop using the spectrum block 1715.1-1721.3/1810.1-1816.3 MHz (hereinafter referred to as "C1 spectrum block") until it has returned the C4 spectrum block to the NCC, and (d) pay FET NT\$1,005,800,000.

**Status:**

In May 2016, the Taiwan Taipei District Court ("District Court") ruled that: (i) the Company received unfavorable judgment on the claims stated in sections (a) to (c); (ii) FET received unfavorable judgment on the claim stated in section (d); and (iii) FET may file a provisional execution with a collateral of NT\$320,630,000 to the favorable portion in the judgment, and the Company may provide a counter security of NT\$961,913,313 to be exempted from, or to move for revocation of FET's provisional execution. FET has provided the security to apply for the provisional execution. The Company provided a counter security of NT\$962,000,000 to be exempted from the provisional execution. (The counter security provided by the Company was subsequently returned in March 2018). The Company and FET filed their respective appeals with the Taiwan High Court ("High Court").

The High Court in January 2018 ruled as follows:

- (1) The District Court judgment in connection with the following items was dismissed:
  - (i) "the Company shall apply to return the C4 spectrum block to the NCC immediately," "the Company shall not use the C4 spectrum block in any way," and "the Company shall not use the C1 spectrum block before the C4 spectrum block has been returned to the NCC," and the corresponding portion that FET claimed provisional execution; and
  - (ii) the portion of judgment that "rejected the Company paying FET NT\$1,005,800,000," the corresponding portion of provisional execution, and litigation expenses.
- (2) For the dismissed portion stated in section 1(i), FET's claim and the motion of provisional execution in the first instance were rejected.
- (3) For the dismissed portion stated in section 1(ii), the Company shall pay FET NT\$765,779,233, as well as a 5% annual interest payment on NT\$152,583,658 of the above amount starting from September 5, 2015 to the payment date.
- (4) The rest of FET's appeals were rejected.
- (5) Regarding the portion of the judgment on the Company's payment, FET may file a provisional execution with a security of NT\$255,260,000; and the Company may provide a counter security of NT\$765,779,233 to be exempted from FET's aforementioned provisional execution.
- (6) The Company and FET shall each bear half of the litigation expenses.
- (7) The rest of FET's motions of provisional execution and appeal were rejected.

The Company appealed the High Court's ruling to the Supreme Court. On May 29, 2019, the Supreme Court ruled that: Regarding the portion of the High Court's original judgment (1) dismissing FET's other appeal, (2)

ruling on the Company's payment obligation, and (3) ruling on litigation expenses with respect to above-mentioned two items shall be dismissed and the case shall be remanded to the High Court. The lawsuit is pending in the High Court.

**2. The Company's directors, general manager, executives, major shareholder holding more than 10 percent of the Company's shares:** None.

**3. The Company's subsidiaries:** None

### **Other major risks and countermeasures**

In terms of information security and privacy protection, the telecommunications industry has huge personal privacy information. If it is accidentally leaked, it will be legally responsible and will seriously damage the company's reputation.

Countermeasures:

TWM implemented the ISO/IEC 27001 Information Security Management System (ISMS) and received the latest standards of BS 10012 and ISO/IEC 29100 Privacy Protection certification. The Company has a personal information and security committee that conducts quarterly reviews of all security policies and reports the results to the board of directors. It also provides cybersecurity insurance. To ensure a four-dimensional protection of users' personal data and internal confidential data, the Company has implemented the following:

1. External anti-hackers: build intrusion prevention, network segmentation, firewall, web application firewall, etc.
2. Internal leakage prevention: handling data leakage prevention and gap reinforcement measures
3. System planning and development: incorporating system development security specifications and executing code weakness scanning, etc.
4. Operation and maintenance monitoring: establish an information security monitoring center, check and analyze system records, and report and track if abnormal conditions are found.

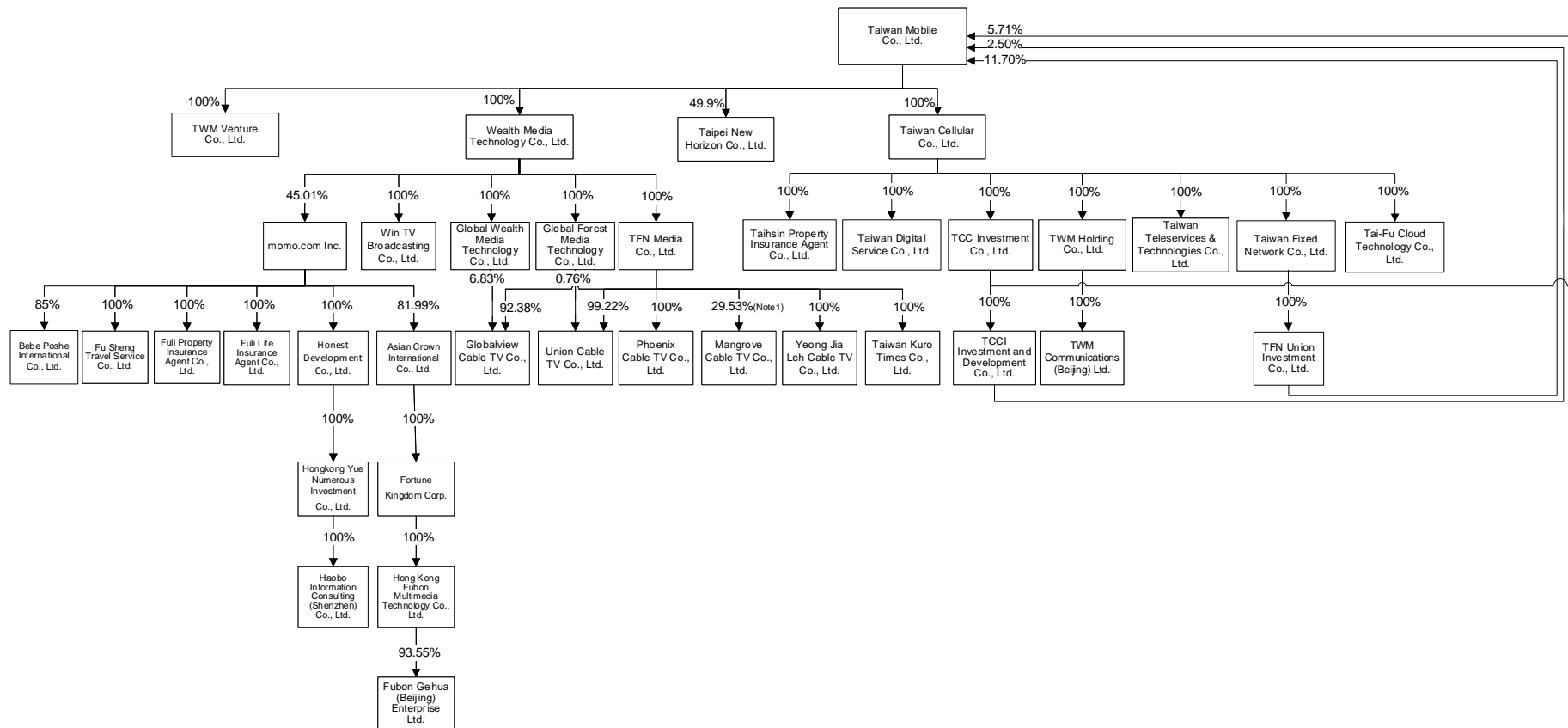
**Other significant items:** None

# Chapter 7 Special Notes

## Affiliates

### 1. Investment holding structure

As of December 31, 2019



Note 1: 70.47% of shares are held under trustee accounts.

## 2. Affiliates' profile

As of December 31, 2019; Unit: NT\$ (unless otherwise stated)

Name	Date of incorporation	Address	Paid-in capital	Main business
Taiwan Cellular Co., Ltd.	2005.09.20	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	5,029,703,090	Investment
Wealth Media Technology Co., Ltd.	2007.08.07	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	420,650,000	Investment
TWM Venture Co., Ltd.	2019.09.20	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	5,000,000	Investment
Taipei New Horizon Co., Ltd.	2009.01.07	6F, No. 88, Yanchang Rd., Xinyi District, Taipei	3,845,000,000	Building and operating Songshan Cultural and Creative Park BOT project
Taiwan Fixed Network Co., Ltd.	2007.01.30	4F, No. 111, Dunhua S. Rd., Sec. 1, Da-an District., Taipei	21,000,000,000	Fixed-line service provider
Taiwan Teleservices & Technologies Co., Ltd.	2001.06.08	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	24,843,000	Call center service and telephone marketing
TWM Holding Co. Ltd.	2006.06.09	Arias, Fabrega & Fabrega Trust Co., BVI Ltd. 325 Waterfront Drive, Road Town, Tortola, British Virgin Islands	US\$ 1	Investment
TCC Investment Co., Ltd.	2009.08.10	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	1,547,213,080	Investment
Taiwan Digital Service Co., Ltd.	2013.04.02	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	25,000,000	Commissioned maintenance Service
Taihsin Property Insurance Agent Co., Ltd.	2017.12.29	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	5,000,000	Property insurance agent
Tai-Fu Cloud Technology Co., Ltd.	2018.01.11	4F, No. 111, Dunhua S. Rd., Sec. 1, Da-an District., Taipei	200,000,000	Type II telecommunications business
TFN Media Co., Ltd.	2005.01.25	11F, No. 98, Zhouzi St., Neihu District, Taipei	2,309,213,040	Type II telecommunications business
Global Forest Media Technology Co., Ltd.	2008.12.26	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	15,000,000	Investment
Global Wealth Media Technology Co., Ltd.	2007.10.26	1F, No. 206, Datong Rd., Sec. 2, Xizhi District, New Taipei City	89,448,670	Investment
Win TV Broadcasting Co., Ltd.	2005.10.17	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	181,773,820	TV program provider
momo.com Inc.	2004.09.27	4F, No. 96, Zhouzi St., Neihu District, Taipei	1,400,585,000	Wholesale and retail sales
TFN Union Investment Co., Ltd.	2009.09.22	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	4,000,000	Investment
TWM Communications (Beijing) Ltd.	2002.09.17	Room 2106, No. 9, Beisihuan West Rd., Haidian District, Beijing, China	US\$ 3,000,000	Mobile application development and design
TCCI Investment and Development Co., Ltd.	2009.09.22	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	1,047,120,000	Investment
Taiwan Kuro Times Co., Ltd.	2009.02.11	12F, No. 88, Yanchang Rd., Xinyi District, Taipei	147,000,000	Digital music service
Yeong Jia Leh Cable TV Co., Ltd.	1994.09.26	10F, No. 651-5, Zhongzheng Rd., Xinzhuang District, New Taipei City	339,400,000	Cable TV service provider
Mangrove Cable TV Co., Ltd.	1996.01.23	5F, No. 33, Lane 3, Zhongzheng E. 118Rd., Sec.	211,600,000	Cable TV service provider

Name	Date of incorporation	Address	Paid-in capital	Main business
		1, Danshui District, New Taipei City		
Phoenix Cable TV Co., Ltd.	1996.08.22	No. 312, Fongping 1st Rd., Daliao District, Kaohsiung	680,901,980	Cable TV service provider
Union Cable TV Co., Ltd.	2005.02.04	No.179, Nujhong Rd., Sec. 1, Yilan City, Yilan County	1,704,632,800	Cable TV service provider
Globalview Cable TV Co., Ltd.	1995.11.25	No. 206, Datong Rd., Sec. 2, Xizhi District, New Taipei City	560,000,000	Cable TV service provider
Asian Crown International Co., Ltd.	2009.01.07	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US\$ 11,873,735	Investment
Honest Development Co., Ltd.	2015.01.23	TMF Chambers, P.O. Box 3269, Apia, Samoa	US\$ 21,778,413	Investment
Fuli Life Insurance Agent Co., Ltd.	2005.12.27	7F, No. 98, Zhouzi St., Neihu District, Taipei	5,000,000	Life insurance agency
Fuli Property Insurance Agent Co., Ltd.	2006.01.03	7F, No. 96, Zhouzi St., Neihu District, Taipei	5,000,000	Property insurance agency
Fu Sheng Travel Service Co., Ltd.	2004.12.16	7F, No. 92, Zhouzi St., Neihu District, Taipei	30,000,000	Travel agency
Bebe Poshe International Co., Ltd.	2010.01.07	4F, No. 92, Zhouzi St., Neihu District, Taipei	100,000,000	Wholesale of cosmetics
Fortune Kingdom Corp.	2009.01.06	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	US\$ 11,594,429	Investment
Hong Kong Fubon Multimedia Technology Co., Ltd.	2010.03.18	Unit 1904, 19/F, Podium Plaza, 5 Hanoi Road, Tsim Sha Tsui, Kowloon, Hong Kong	US\$ 11,594,429	Investment
Hongkong Yue Numerous Investment Co., Ltd.	2015.03.12	Unit 1904, 19/F, Podium Plaza, 5 Hanoi Road, Tsim Sha Tsui, Kowloon, Hong Kong	HK\$ 16,600,000	Investment
Haobo Information Consulting (Shenzhen) Co., Ltd.	2008.11.14	26B-B1, Block A, Zhongyin Building, Caitian Road, Futian District, Shenzhen, People's Republic of China.	RMB 11,000,000	Investment
Fubon Gehua (Beijing) Enterprise Ltd.	2010.12.08	Room 102, Building 3, No. 241, Ping Fang Rd., Chaoyang District, Beijing, China	RMB 77,500,000	Wholesaling

### 3. Other significant events affecting shareholders' equity or stock price: None

### 4. Industries covered by affiliates' business operations

With digital convergence as their core strategy, the Company's affiliates have focused on building 1) platforms: mobile network, IoT, cable TV/digital TV and cable broadband; 2) content: momo TV home shopping broadcasting, momo Family TV Channel, digital content and media, mobile commerce and payment, and mobile apps, and 3) virtual/physical channels: myfone physical & e-stores, and momoshop. By launching innovative products and services, such as 1) "Mobile & Fiber Double Play" (unlimited mobile data and high-speed home broadband bundled plans), 2) "In-store pick-up" (customers can pick up momo purchases at myfone stores), and 3) Gifting MyMusic (30-day passes with momo purchase), TWM hopes to fully demonstrate its business synergy.



## 5. Affiliates' lists of directors, supervisors and presidents

As of December 31, 2019; Unit: share (unless otherwise stated), %

Company name	Title	Name of Representative	Shares	%
Taiwan Cellular Co., Ltd.	Chairman	Taiwan Mobile Co., Ltd. Representative: Daniel M. Tsai	502,970,309	100.00%
	Director	Taiwan Mobile Co., Ltd. Representative: Richard M. Tsai	502,970,309	100.00%
	Director	Taiwan Mobile Co., Ltd. Representative: Jamie Lin	502,970,309	100.00%
	Supervisor	Taiwan Mobile Co., Ltd. Representative: Rosie Yu	502,970,309	100.00%
	President	Jamie Lin	-	-
Wealth Media Technology Co., Ltd.	Chairman	Taiwan Mobile Co., Ltd. Representative: Daniel M. Tsai	42,065,000	100.00%
	Director	Taiwan Mobile Co., Ltd. Representative: Richard M. Tsai	42,065,000	100.00%
	Director	Taiwan Mobile Co., Ltd. Representative: Jamie Lin	42,065,000	100.00%
	Supervisor	Taiwan Mobile Co., Ltd. Representative: Rosie Yu	42,065,000	100.00%
	President	Jamie Lin	-	-
TWM Venture Co., Ltd.	Chairman	Taiwan Mobile Co., Ltd. Representative: Daniel M. Tsai	500,000	100.00%
	Director	Taiwan Mobile Co., Ltd. Representative: Richard M. Tsai	500,000	100.00%
	Supervisor	Taiwan Mobile Co., Ltd. Representative: Rosie Yu	500,000	100.00%
	President	Jamie Lin	-	-
Taipei New Horizon Co., Ltd.	Chairman	Taiwan Mobile Co., Ltd. Representative: Daniel M. Tsai	191,865,500	49.90%
	Director	Taiwan Mobile Co., Ltd. Representative: Jamie Lin	191,865,500	49.90%
	Director	Fubon Land Development Co., Ltd. Representative: Charles Hsueh	192,634,500	50.10%
	Director	Fubon Land Development Co., Ltd. Representative: Chris Tsai	192,634,500	50.10%
	Director	Fubon Land Development Co., Ltd. Representative: Liang-Cheng Sung	192,634,500	50.10%
	Supervisor	Ariel Hwang	-	-
	President	Liang-Cheng Sung	-	-
Taiwan Fixed Network Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: Daniel M. Tsai	2,100,000,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Richard M. Tsai	2,100,000,000	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Rosie Yu	2,100,000,000	100.00%
	President	Jamie Lin	-	-
Taiwan Teleservices & Technologies Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: Jamie Lin	2,484,300	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Daniel M. Tsai	2,484,300	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Rosie Yu	2,484,300	100.00%
	President	Steve Chou	-	-
TWM Holding Co., Ltd.	Director	Jamie Lin	US\$ 1	100.00%
	President	(Note 1)		
TCC Investment Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: Daniel M. Tsai	154,721,308	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Richard M. Tsai	154,721,308	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Rosie Yu	154,721,308	100.00%
	President	Jamie Lin	-	-
Taiwan Digital Service Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: Jamie Lin	2,500,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Daniel M. Tsai	2,500,000	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Rosie Yu	2,500,000	100.00%
	President	Michael Teng	-	-
Taihsin Property Insurance Agent Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: Daniel M. Tsai	500,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Jamie Lin	500,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: C.H. Wu	500,000	100.00%
	Supervisor	Taiwan Cellular Co., Ltd.	500,000	100.00%

Company name	Title	Name of Representative	Shares	%
		Representative: Jean Chang		
	President	Rita Kuo	-	-
Tai-Fu Cloud Technology Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: C.H. Wu	20,000,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Allen Liou	20,000,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Rocky Wen	20,000,000	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Ariel Hwang	20,000,000	100.00%
	President	C.H. Wu	-	-
TFN Media Co., Ltd.	Chairman	Wealth Media Technology Co., Ltd. Representative: Daniel M. Tsai	230,921,304	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: Richard M. Tsai	230,921,304	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: Jamie Lin	230,921,304	100.00%
	Supervisor	Wealth Media Technology Co., Ltd. Representative: Rosie Yu	230,921,304	100.00%
	President	Jamie Lin	-	-
Global Forest Media Technology Co., Ltd.	Chairman	Wealth Media Technology Co., Ltd. Representative: Jamie Lin	1,500,000	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: Tom Koh	1,500,000	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: C.H. Wu	1,500,000	100.00%
	Supervisor	Wealth Media Technology Co., Ltd. Representative: Rosie Yu	1,500,000	100.00%
	President	Jamie Lin	-	-
Global Wealth Media Technology Co., Ltd.	Chairman	Wealth Media Technology Co., Ltd. Representative: Jamie Lin	8,944,867	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: Tom Koh	8,944,867	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: C.H. Wu	8,944,867	100.00%
	Supervisor	Wealth Media Technology Co., Ltd. Representative: Rosie Yu	8,944,867	100.00%
	President	Jamie Lin	-	-
Win TV Broadcasting Co., Ltd.	Chairman	Wealth Media Technology Co., Ltd. Representative: Jamie Lin	18,177,382	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: Daniel M. Tsai	18,177,382	100.00%
	Supervisor	Wealth Media Technology Co., Ltd. Representative: Rosie Yu	18,177,382	100.00%
	President	Jing-Yi Chen	-	-
momo.com Inc.	Chairman	Wealth Media Technology Co., Ltd. Representative: C.F. Lin	63,047,205	45.01%
	Director	Wealth Media Technology Co., Ltd. Representative: Jamie Lin	63,047,205	45.01%
	Director	Wealth Media Technology Co., Ltd. Representative: Chris Tsai	63,047,205	45.01%
	Director	Wealth Media Technology Co., Ltd. Representative: Jeff Ku	63,047,205	45.01%
	Director	Tong-An Investment Co., Ltd. Representative: Mao-Hsiung Huang	15,050,000	10.75%
	Director	Woori Homeshopping Co., Ltd. Representative: Shin Seongbin	14,014,000	10.01%
	Independent Director	Chieh Wang	-	-
	Independent Director	Brian Y. Hsieh	-	-
	Independent Director	Hong-So Chen	-	-
	President	Jeff Ku	2,000	0.0014%
TFN Union Investment Co., Ltd.	Chairman	Taiwan Fixed Network Co., Ltd. Representative: Daniel M. Tsai	400,000	100.00%
	Director	Taiwan Fixed Network Co., Ltd. Representative: Richard M. Tsai	400,000	100.00%
	Supervisor	Taiwan Fixed Network Co., Ltd. Representative: Rosie Yu	400,000	100.00%
	President	Jamie Lin	-	-
TWM Communications (Beijing) Ltd.	Chairman	TWM Holding Co., Ltd. Representative: Tom Koh	US\$ 3,000,000	100.00%
	Director	TWM Holding Co., Ltd. Representative: James Chang	US\$ 3,000,000	100.00%
	Director	TWM Holding Co., Ltd. Representative: C.H. Wu	US\$ 3,000,000	100.00%

Company name	Title	Name of Representative	Shares	%
	Supervisor	TWM Holding Co., Ltd. Representative: Rosie Yu	US\$ 3,000,000	100.00%
	President	Tom Koh	-	-
TCCI Investment and Development Co., Ltd.	Chairman	TCC Investment Co., Ltd. Representative: Daniel M. Tsai	104,712,000	100.00%
	Director	TCC Investment Co., Ltd. Representative: Richard M. Tsai	104,712,000	100.00%
	Supervisor	TCC Investment Co., Ltd. Representative: Rosie Yu	104,712,000	100.00%
	President	Jamie Lin	-	-
Taiwan Kuro Times Co., Ltd.	Chairman	TFN Media Co., Ltd. Representative: Jamie Lin	14,700,000	100.00%
	Director	TFN Media Co., Ltd. Representative: Rosie Yu	14,700,000	100.00%
	Director	TFN Media Co., Ltd. Representative: Daphne Lee	14,700,000	100.00%
	Supervisor	TFN Media Co., Ltd. Representative: Tom Koh	14,700,000	100.00%
	President	Daphne Lee	-	-
Yeong Jia Leh Cable TV Co., Ltd.	Chairman	TFN Media Co., Ltd. Representative: Jamie Lin	33,940,000	100.00%
	Director	TFN Media Co., Ltd. Representative: Rosie Yu	33,940,000	100.00%
	Director	TFN Media Co., Ltd. Representative: Tom Koh	33,940,000	100.00%
	Director	TFN Media Co., Ltd. Representative: C.H. Wu	33,940,000	100.00%
	Director	TFN Media Co., Ltd. Representative: Chi-Kai Liao	33,940,000	100.00%
	Supervisor	TFN Media Co., Ltd. Representative: Ariel Hwang	33,940,000	100.00%
	Supervisor	TFN Media Co., Ltd. Representative: Jay Hong	33,940,000	100.00%
	President	Chi-Kai Liao	-	-
Mangrove Cable TV Co., Ltd.	Chairman	Dai-Ka Ltd. Representative: Chao-Nan Kuo	14,912,000	70.47%
	Director	Dai-Ka Ltd. Representative: Sheng-Hung Lin	14,912,000	70.47%
	Independent Director	Eric Chang	-	-
	Independent Director	Eugene Cha	-	-
	Independent Director	Hsiu-Lan Wang	-	-
	President	Sheng-Hung Lin	-	-
Phoenix Cable TV Co., Ltd.	Chairman	TFN Media Co., Ltd. Representative: Jamie Lin	68,090,198	100.00%
	Director	TFN Media Co., Ltd. Representative: Rosie Yu	68,090,198	100.00%
	Director	TFN Media Co., Ltd. Representative: Tom Koh	68,090,198	100.00%
	Director	TFN Media Co., Ltd. Representative: C.H. Wu	68,090,198	100.00%
	Director	TFN Media Co., Ltd. Representative: Chen-Lu Lin	68,090,198	100.00%
	Supervisor	TFN Media Co., Ltd. Representative: Ariel Hwang	68,090,198	100.00%
	Supervisor	TFN Media Co., Ltd. Representative: Jay Hong	68,090,198	100.00%
	President	Chen-Lu Lin	-	-
Union Cable TV Co., Ltd.	Chairman	TFN Media Co., Ltd. Representative: Jamie Lin	169,141,000	99.22%
	Director	TFN Media Co., Ltd. Representative: Rosie Yu	169,141,000	99.22%
	Director	TFN Media Co., Ltd. Representative: Tom Koh	169,141,000	99.22%
	Director	TFN Media Co., Ltd. Representative: C.H. Wu	169,141,000	99.22%
	Director	TFN Media Co., Ltd. Representative: Tsan-Chang Yang	169,141,000	99.22%
	Supervisor	Global Forest Media Technology Co., Ltd. Representative: Jay Hong	1,300,326	0.76%

Company name	Title	Name of Representative	Shares	%
	Supervisor	Ariel Hwang	-	-
	President	Tsan-Chang Yang	-	-
Globalview Cable TV Co., Ltd.	Chairman	TFN Media Co., Ltd. Representative: Jamie Lin	51,733,200	92.38%
	Director	TFN Media Co., Ltd. Representative: Rosie Yu	51,733,200	92.38%
	Director	TFN Media Co., Ltd. Representative: Tom Koh	51,733,200	92.38%
	Director	TFN Media Co., Ltd. Representative: C.H. Wu	51,733,200	92.38%
	Director	TFN Media Co., Ltd. Representative: Hung-Chun Chou	51,733,200	92.38%
	Supervisor	Global Wealth Media Technology Co., Ltd. Representative: Jay Hong	3,825,333	6.83%
	Supervisor	Ariel Hwang	-	-
	President	Hung-Chun Chou	-	-
Asian Crown International Co., Ltd.	Director	momo.com Inc.	US\$ 9,735,459	81.99%
	President	(Note 1)		
Honest Development Co., Ltd.	Director	momo.com Inc.	US\$ 21,778,413	100.00%
	President	(Note 1)		
Fuli Life Insurance Agent Co., Ltd.	Chairman	momo.com Inc. Representative: C.F. Lin	500,000	100.00%
	Director	momo.com Inc. Representative: Jeff Ku	500,000	100.00%
	Director	momo.com Inc. Representative: Julia Chou	500,000	100.00%
	Supervisor	momo.com Inc. Representative: Kiki Hung	500,000	100.00%
	President	C.F. Lin	-	-
Fuli Property Insurance Agent Co., Ltd.	Chairman	momo.com Inc. Representative: Gina Lu	500,000	100.00%
	Director	momo.com Inc. Representative: Jeremy Hong	500,000	100.00%
	Director	momo.com Inc. Representative: Jeff Ku	500,000	100.00%
	Supervisor	momo.com Inc. Representative: Kiki Hung	500,000	100.00%
	President	Gina Lu	-	-
Fu Sheng Travel Service Co., Ltd.	Chairman	momo.com Inc. Representative: C.F. Lin	3,000,000	100.00%
	Director	momo.com Inc. Representative: Jeff Ku	3,000,000	100.00%
	Director	momo.com Inc. Representative: Gina Lu	3,000,000	100.00%
	Supervisor	momo.com Inc. Representative: Jeremy Hong	3,000,000	100.00%
	President	(Note 1)		
Bebe Poshe International Co., Ltd.	Chairman	momo.com Inc. Representative: C.F. Lin	8,500,000	85.00%
	Director	Jennifer Lin	-	-
	Director	momo.com Inc. Representative: Summer Hsieh	8,500,000	85.00%
	Director	momo.com Inc. Representative: Jeff Ku	8,500,000	85.00%
	Director	momo.com Inc. Representative: Gina Lu	8,500,000	85.00%
	Supervisor	Carey Lin	-	-
	President	Summer Hsieh	-	-
Fortune Kingdom Corp.	Director	Asian Crown International Co., Ltd.	US\$ 11,594,429	100.00%
	President	(Note 1)		
Hongkong Yue Numerous Investment Co., Ltd.	Director	Honest Development Co., Ltd.	HK\$ 16,600,000	100.00%
	Director	C.F. Lin	-	-
	President	(Note 1)		
Hong Kong Fubon Multimedia Technology Co., Ltd.	Director	Fortune Kingdom Corp.	US\$ 11,594,429	100.00%
	Director	C.F. Lin	-	-
	President	(Note 1)		
Haobo Information Consulting (Shenzhen) Co., Ltd	Chairman	Hongkong Yue Numerous Investment Co., Ltd. Representative: C.F. Lin	RMB 11,000,000	100.00%
	Supervisor	Hongkong Yue Numerous Investment	RMB 11,000,000	100.00%

Company name	Title	Name of Representative	Shares	%
		Co., Ltd. Representative: Kiki Hung		
	President	Summer Hsieh	-	-
Fubon Gehua (Beijing) Enterprise Ltd.	Chairman	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: C.F. Lin	RMB 72,499,800	93.55%
	Director	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Jeremy Hong	RMB 72,499,800	93.55%
	Director	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Kiki Hung	RMB 72,499,800	93.55%
	Director	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Nien-Pei Tsai	RMB 72,499,800	93.55%
	Director	Prosperous Group (Asia) Ltd. Representative: Pei-Yin Yu	RMB 5,000,200	6.45%
	Supervisor	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Summer Hsieh	RMB 72,499,800	93.55%
	Supervisor	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Gina Lu	RMB 72,499,800	93.55%
	President	C.F. Lin	-	-

Note 1: No President

Note 2: No. of shares unless stated otherwise, i.e., paid-in capital in foreign denomination

## 6. Affiliates' operating highlights

As of December 31, 2019; Unit: NT\$'000

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income	EPS (NT\$)
Taiwan Cellular Co., Ltd.	5,029,703	91,312,835	28,713	91,284,122	-	(601)	3,531,541	7.02
Wealth Media Technology Co., Ltd.	420,650	20,742,620	2,740	20,739,880	-	(202)	2,180,997	51.85
TWM Venture Co., Ltd.	5,000	4,953	46	4,907	-	(116)	(93)	(0.19)
Taipei New Horizon Co., Ltd.	3,845,000	7,626,099	3,983,715	3,642,384	598,050	196,029	89,627	0.23
Taiwan Fixed Network Co., Ltd.	21,000,000	64,477,823	5,072,677	59,405,146	9,392,301	3,909,045	3,318,792	1.58
Taiwan Teleservices & Technologies Co., Ltd.	24,843	493,202	391,349	101,853	1,137,622	63,283	51,681	20.8
TWM Holding Co., Ltd.	0.032	227,772	110	227,662	-	(156)	(25,416)	(25,415,952)
TCC Investment Co., Ltd.	1,547,213	31,199,348	617,698	30,581,650	304	(15)	6,023	0.04
Taiwan Digital Communications Co., Ltd. (Note 2)	-	-	-	-	-	(78)	(596)	NA
Taiwan Digital Service Co., Ltd.	25,000	140,656	35,381	105,275	248,326	13,050	10,742	4.30
Taihsin Property Insurance Agent Co., Ltd.	5,000	138,975	73,527	65,448	209,842	72,650	58,157	116.31
Tai-Fu Cloud Co., Ltd.	200,000	480,404	282,994	197,410	480,123	7,402	(1,999)	(0.10)
TFN Media Co., Ltd.	2,309,213	13,241,242	3,342,450	9,898,792	3,257,231	1,848,417	1,594,502	6.90
Global Forest Media Technology Co., Ltd.	15,000	16,954	51	16,903	-	(150)	20	0.01
Global Wealth Media Technology Co., Ltd.	89,449	98,509	76	98,433	-	(177)	4,171	0.47
Win TV Broadcasting Co., Ltd.	181,774	910,091	604,036	306,055	875,107	71,457	55,984	3.08
momo.com Inc.	1,400,585	14,317,140	8,161,164	6,155,976	51,729,220	1,647,699	1,393,781	9.95
TFN Union Investment Co., Ltd.	4,000	45,995,177	1,420,902	44,574,275	-	(59)	(59)	(0.15)
TFN HK Ltd. (Note 2)	-	-	-	-	-	61	70	NA
TWM Communications (Beijing) Co., Ltd.	90,060	77,353	45	77,308	-	(321)	1,433	NA
TCCI Investment and Development Co., Ltd.	1,047,120	9,812,049	303,122	9,508,927	-	(130)	(130)	(0.00)
Taiwan Kuro Times Co., Ltd.	147,000	229,522	96,250	133,272	296,316	(6,950)	(7,529)	(0.51)
Yeong Jia Leh Cable TV Co., Ltd.	339,400	665,651	420,025	245,626	804,733	(148,804)	(146,317)	(4.31)
Mangrove Cable TV Co., Ltd.	211,600	636,999	253,092	383,907	450,721	75,115	62,321	2.95
Phoenix Cable TV Co., Ltd.	680,902	1,504,430	417,712	1,086,718	1,209,127	142,618	121,282	1.78
Union Cable TV Co., Ltd.	1,704,633	2,120,570	315,842	1,804,728	666,552	26,491	22,275	0.13
Globalview Cable TV Co., Ltd.	560,000	952,995	236,295	716,700	489,037	73,968	63,657	1.14
Asian Crown International Co., Ltd.	364,890	49,690	-	49,690	-	(62)	142	0.01
Honest Development Co., Ltd.	670,448	630,252	-	630,252	-	-	9,592	0.44
Fuli Life Insurance Agent Co., Ltd.	5,000	9,885	1,094	8,791	1,739	(322)	(304)	(0.61)
Fuli Property Insurance Agent Co., Ltd.	5,000	11,521	1,118	10,403	4,451	1,575	1,275	2.55
Fu Sheng Travel Service Co., Ltd.	30,000	308,520	260,694	47,826	22,843	12,177	8,509	2.84
Bebe Poshe International Co., Ltd.	100,000	61,145	2,722	58,423	29,275	(7,792)	(7,532)	(0.75)
Fortune Kingdom Corp.	356,500	45,274	-	45,274	-	-	229	0.02
Hong Kong Fubon Multimedia Technology Co., Ltd.	356,500	45,274	-	45,274	-	-	229	0.02
Hongkong Yue Numerous Investment Co., Ltd.	66,035	630,252	-	630,252	-	-	9,592	0.58
Haobo Information Consulting (Shenzhen) Co., Ltd.	47,289	603,097	-	603,097	-	(150)	14,261	NA

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income	EPS (NT\$)
Fubon Gehua (Beijing) Enterprise Ltd.	333,173	57,895	18,469	39,426	101,318	1,414	376	NA

Note 1: Exchange rates: US\$1=NT\$30.02, HK\$1=NT\$3.855 and RMB1=NT\$4.299 as of December 31, 2019

Average exchange rates: US\$1=NT\$30.91, HK\$1=NT\$3.945 and RMB1=NT\$4.47 for 2019

Note 2: Liquidation procedures were completed in August 2019

**Private placement of company shares:** None

**TWM shares held / sold by subsidiaries**

Unit : NT\$ '000, %

Subsidiary	TCC Investment Co., Ltd. (TCCI)	TFN Union Investment Co., Ltd. (TUI)	TCCI Investment and Development Co., Ltd. (TID)
Paid-in capital	1,547,213	4,000	1,047,120
Source of funding	Equity	TFN established TUI with the shares of the Company	TFN Investment (Note 1) established TID with the shares of the Company
% owned by the Company	100%	100%	100%
Acquisition / disposal date	—	—	—
No. of shares acquired and payment costs	—	—	—
No. of shares sold / proceeds	—	—	—
Investment income	—	—	—
Up to publication date: Total No. of shares / value ( Note 2 )	200,496,761 shares / NT\$12,163,470	410,665,284 shares / NT\$22,312,814	87,589,556 shares / NT\$4,759,033
Pledges	None	None	None
Guarantees / endorsements provided by the Company	—	—	—
Financing provided by the Company	—	—	—

Note 1 : TFN Investment was merged into TCC Investment Co., Ltd. on September 19, 2009.

Note 2 : Ending balance is carrying cost and does not include evaluation gains/losses.

**Other supplementary information:** None

**Other significant events affecting shareholders' equity or stock price:** None





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

**Consolidated Financial Statements for the  
Years Ended December 31, 2019 and 2018 and  
Independent Auditors' Report**

## **REPRESENTATION LETTER**

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2019 are all the same as those included in the consolidated financial statements of Taiwan Mobile Co., Ltd. and its subsidiaries prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of Taiwan Mobile Co., Ltd. and its subsidiaries. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

TAIWAN MOBILE CO., LTD.

By

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DANIEL TSAI  
Chairman

February 21, 2020

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Taiwan Mobile Co., Ltd. and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), IFRIC Interpretations ("IFRIC"), and SIC Interpretations ("SIC") endorsed and issued into effect by the Financial Supervisory Commission ("FSC") of the Republic of China ("ROC").

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the ROC. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the ROC, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the 2019 consolidated financial statements are as follows:

#### **The Impairment Loss of Property, Plant and Equipment and Intangible Assets (Including Goodwill)**

The description of key audit matter:

The consolidated balances of property, plant and equipment and intangible assets (including goodwill) amounted to \$36,182,005 thousand and \$59,078,475 thousand, respectively, as of December 31, 2019. On each balance sheet date, the Group reviews its tangible and intangible assets for indications of impairment,

and then the Group estimates the recoverable amount of the assets. If it is not possible to determine the recoverable amount (fair value less costs to sell or value in use) for the individual asset, then the Group will determine the recoverable amount for the asset's cash-generating unit. Because the aforementioned tangible and intangible assets amounted to \$95,260,480 thousand (62% of total consolidated assets) and the calculation for the recoverable amount involved several assumptions and estimations, which directly impact the amount to be recognized as impairment losses, we believe that the review for the impairment of assets is a key audit matter.

Corresponding audit procedures:

By conducting compliance tests, we obtained an understanding of the estimation for asset impairment and of the design and execution for relevant controls. We also performed major audit procedures which are as follows:

1. Obtain the valuation form of asset impairment produced by the Group for each cash-generating unit.
2. Evaluate the appropriateness of the assumptions and sensitivity analyses, including the classification of cash-generating units, forecasts of cash flows, and discount rates, used by the Group management to assess if there is any asset impairment.

#### Telecommunications and Value-added Services Revenue

The description of key audit matter:

The source of the major operating revenue of the Group is the telecommunications and value-added services revenue, totaling \$48,135,239 thousand for the year ended December 31, 2019. The Group offers more different monthly-fee plans and diversifies the business by innovating value-added services since the telecommunication industry becomes more competitive nowadays. The competitive telecommunication industry and complicated calculations for revenue recognition, which highly relies on automatic and systematic connection and implementation, lead the telecommunications and value-added service revenue to be considered as one of the key audit matters.

Corresponding audit procedures:

By conducting compliance tests, we obtained an understanding of the revenue recognition process and of the design and execution for relevant controls. We also performed major audit procedures which are as follows:

1. Review the contracts of mobile subscribers to ensure the accuracy of information in the accounting system.
2. Perform dialing tests to verify the completeness of the information in the telephone exchange system.
3. Perform system integration tests from telephone-exchange to telephone traffic.
4. Test for the accuracy of call record charge rates and billing calculations.
5. Verify the accuracy of the billing amounts generated from monthly rentals as well as airtime accounting systems and the transfer to the accounting information system.

## **Other Matter**

We have also audited the parent company only financial statements of Taiwan Mobile Co., Ltd. as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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 IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of the ROC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the ROC will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the ROC, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists and is related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 21, 2020

#### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the ROC and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the ROC.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in 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 independent auditors' report and consolidated financial statements shall prevail.*

# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

ASSETS	December 31, 2019		December 31, 2018		LIABILITIES AND EQUITY	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 6 and 30)	\$ 8,663,370	6	\$ 7,498,710	5	Short-term borrowings (Note 18)	\$ 16,270,000	11	\$ 10,270,000	7
Financial assets at fair value through profit or loss (Note 30)	149	-	81,474	-	Short-term notes and bills payable (Note 18)	1,898,111	1	1,498,992	1
Financial assets at fair value through other comprehensive income (Note 7)	246,493	-	255,732	-	Contract liabilities (Note 23)	1,807,407	1	2,030,793	1
Contract assets (Note 23)	4,832,043	3	5,472,357	4	Notes and accounts payable	7,660,285	5	6,756,980	5
Notes and accounts receivable, net (Note 8)	7,671,838	5	7,531,858	5	Accounts payable due to related parties (Note 30)	135,162	-	179,588	-
Accounts receivable due from related parties (Note 30)	146,186	-	137,958	-	Other payables (Note 30)	8,823,705	6	9,581,496	6
Other receivables (Note 30)	1,418,485	1	2,066,105	1	Current tax liabilities	1,539,638	1	2,377,000	2
Inventories (Note 9)	5,670,476	4	3,945,663	3	Provisions (Note 20)	88,961	-	120,334	-
Prepayments (Note 30)	463,334	-	584,799	1	Lease liabilities (Notes 14, 27 and 30)	3,532,951	2	-	-
Other financial assets (Notes 30 and 31)	592,868	-	576,542	-	Advance receipts	87,410	-	111,250	-
Other current assets	<u>200,458</u>	<u>-</u>	<u>917,689</u>	<u>1</u>	Long-term liabilities, current portion (Notes 18 and 19)	303,297	-	6,802,916	5
					Other current liabilities (Note 30)	<u>2,376,029</u>	<u>2</u>	<u>2,154,154</u>	<u>1</u>
Total current assets	<u>29,905,700</u>	<u>19</u>	<u>29,068,887</u>	<u>20</u>	Total current liabilities	<u>44,522,956</u>	<u>29</u>	<u>41,883,503</u>	<u>28</u>
<b>NON-CURRENT ASSETS</b>					<b>NON-CURRENT LIABILITIES</b>				
Financial assets at fair value through other comprehensive income (Note 7)	5,245,888	4	4,763,899	3	Financial liabilities at fair value through profit or loss	-	-	1,861	-
Contract assets (Note 23)	3,463,456	2	3,208,519	2	Contract liabilities (Note 23)	45,293	-	56,144	-
Investments accounted for using equity method (Notes 10 and 30)	1,478,025	1	1,435,607	1	Bonds payable (Note 19)	15,903,436	10	24,419,137	17
Property, plant and equipment (Note 13)	36,182,005	24	38,855,960	26	Long-term borrowings (Note 18)	8,586,076	6	8,889,438	6
Right-of-use assets (Notes 14 and 30)	9,657,938	6	-	-	Provisions (Note 20)	1,459,270	1	1,400,954	1
Investment properties (Note 15)	2,984,057	2	2,999,403	2	Deferred tax liabilities (Note 25)	977,560	1	917,261	1
Concessions (Notes 16 and 31)	37,709,501	24	40,528,874	27	Lease liabilities (Notes 14, 27 and 30)	6,117,438	4	-	-
Goodwill (Note 16)	15,832,440	10	15,872,595	11	Net defined benefit liabilities (Note 21)	517,175	-	510,880	-
Other intangible assets (Note 16)	5,536,534	4	5,774,176	4	Guarantee deposits	1,092,364	1	1,013,905	1
Deferred tax assets (Note 25)	839,240	1	806,521	1	Other non-current liabilities	<u>522,116</u>	<u>-</u>	<u>580,249</u>	<u>-</u>
Incremental costs of obtaining a contract (Note 23)	2,119,052	1	2,946,282	2	Total non-current liabilities	<u>35,220,728</u>	<u>23</u>	<u>37,789,829</u>	<u>26</u>
Other financial assets (Notes 30, 31 and 32)	271,653	-	131,110	-	Total liabilities	<u>79,743,684</u>	<u>52</u>	<u>79,673,332</u>	<u>54</u>
Other non-current assets (Notes 17 and 30)	<u>2,694,470</u>	<u>2</u>	<u>1,275,195</u>	<u>1</u>	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>				
Total non-current assets	<u>124,014,259</u>	<u>81</u>	<u>118,598,141</u>	<u>80</u>	(Note 22)				
					Common stock	34,959,441	23	34,208,519	23
					Capital collected in advance	134,104	-	29,819	-
					Capital surplus	20,274,694	13	12,580,692	9
					Retained earnings				
					Legal reserve	28,922,281	19	27,558,064	19
					Special reserve	95,381	-	362,703	-
					Unappropriated earnings	12,909,829	8	16,954,448	11
					Other equity interests	438,905	-	(95,381)	-
					Treasury stock	<u>(29,717,344)</u>	<u>(19)</u>	<u>(29,717,344)</u>	<u>(20)</u>
					Total equity attributable to owners of the parent	68,017,291	44	61,881,520	42
					<b>NON-CONTROLLING INTERESTS (Note 22)</b>	<u>6,158,984</u>	<u>4</u>	<u>6,112,176</u>	<u>4</u>
					Total equity	<u>74,176,275</u>	<u>48</u>	<u>67,993,696</u>	<u>46</u>
<b>TOTAL</b>	<u>\$ 153,919,959</u>	<u>100</u>	<u>\$ 147,667,028</u>	<u>100</u>	<b>TOTAL</b>	<u>\$ 153,919,959</u>	<u>100</u>	<u>\$ 147,667,028</u>	<u>100</u>

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

# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 23, 30 and 36)	\$ 124,420,913	100	\$ 118,732,328	100
OPERATING COSTS (Notes 9, 30, 34 and 36)	<u>91,612,178</u>	<u>74</u>	<u>84,315,734</u>	<u>71</u>
GROSS PROFIT FROM OPERATIONS	<u>32,808,735</u>	<u>26</u>	<u>34,416,594</u>	<u>29</u>
OPERATING EXPENSES (Notes 30, 34 and 36)				
Marketing	10,506,264	8	11,340,018	10
Administrative	5,367,860	4	5,134,269	4
Expected credit loss	<u>241,043</u>	<u>-</u>	<u>411,210</u>	<u>-</u>
Total operating expenses	<u>16,115,167</u>	<u>12</u>	<u>16,885,497</u>	<u>14</u>
OTHER INCOME AND EXPENSES, NET (Notes 30 and 36)	<u>499,767</u>	<u>-</u>	<u>630,945</u>	<u>-</u>
OPERATING INCOME (Note 36)	<u>17,193,335</u>	<u>14</u>	<u>18,162,042</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 24 and 30)	311,898	-	227,605	-
Other gains and losses, net (Notes 24 and 30)	(359,131)	-	(125,717)	-
Finance costs (Notes 24 and 30)	(574,780)	-	(601,841)	-
Share of profit of associates accounted for using equity method (Note 10)	<u>10,488</u>	<u>-</u>	<u>27,128</u>	<u>-</u>
Total non-operating income and expenses	<u>(611,525)</u>	<u>-</u>	<u>(472,825)</u>	<u>-</u>
PROFIT BEFORE TAX	16,581,810	14	17,689,217	15
INCOME TAX EXPENSE (Note 25)	<u>3,289,943</u>	<u>3</u>	<u>3,203,449</u>	<u>3</u>
NET PROFIT	<u>13,291,867</u>	<u>11</u>	<u>14,485,768</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 10, 21, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans	(44,101)	-	(78,532)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	536,083	-	210,717	-
Share of other comprehensive income (loss) of associates accounted for using equity method	15,432	-	(18,477)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation	(24,446)	-	(14,114)	-
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>4,205</u>	<u>-</u>	<u>(1,040)</u>	<u>-</u>
Other comprehensive income (after tax)	<u>487,173</u>	<u>-</u>	<u>98,554</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 13,779,040</u>	<u>11</u>	<u>\$ 14,584,322</u>	<u>12</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 12,481,167	10	\$ 13,642,172	11
Non-controlling interests	<u>810,700</u>	<u>1</u>	<u>843,596</u>	<u>1</u>
	<u>\$ 13,291,867</u>	<u>11</u>	<u>\$ 14,485,768</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 12,971,397	10	\$ 13,768,068	12
Non-controlling interests	<u>807,643</u>	<u>1</u>	<u>816,254</u>	<u>-</u>
	<u>\$ 13,779,040</u>	<u>11</u>	<u>\$ 14,584,322</u>	<u>12</u>
EARNINGS PER SHARE (Note 26)				
Basic earnings per share	<u>\$ 4.51</u>		<u>\$ 5.01</u>	
Diluted earnings per share	<u>\$ 4.44</u>		<u>\$ 4.86</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 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent													
	Common Stock	Capital Collected in Advance	Capital Surplus	Retained Earnings			Other Equity Interests							
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		Unrealized Gain (Loss) on Available-for- sale Financial Assets	Treasury Stock	Total	Non-controlling Interests	Total Equity
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	-	-	-	-	(1,633,249)	-	-	
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 year ended December 31, 2018	-	-	-	-	-	13,642,172	-	-	-	-	13,642,172	843,596	14,485,768	
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	(78,832)	(7,899)	212,627	-	-	125,896	(27,342)	98,554	
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	13,563,340	(7,899)	212,627	-	-	13,768,068	816,254	14,584,322	
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	1,825	-	(1,825)	-	-	-	-	-	
Conversion of convertible bonds to common stock	191	29,819	275,614	-	-	-	-	-	-	-	305,624	-	305,624	
Changes in percentage of ownership interests in subsidiaries	-	-	(10,347)	-	-	-	-	-	-	-	(10,347)	12,663	2,316	
Changes in equity of associates accounted for using equity method	-	-	8,380	-	-	1,971	-	-	-	-	10,351	9,717	20,068	
Other changes in capital surplus	-	-	1,016	-	-	-	-	-	-	-	1,016	-	1,016	
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(616,452)	(616,452)	
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	10,295	10,295	
BALANCE, DECEMBER 31, 2018	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 year ended December 31, 2019	-	-	-	-	-	12,481,167	-	-	-	-	12,481,167	810,700	13,291,867	
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	(44,056)	(10,107)	544,393	-	-	490,230	(3,057)	487,173	
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	12,437,111	(10,107)	544,393	-	-	12,971,397	807,643	13,779,040	
Conversion of convertible bonds to common stock	750,922	104,285	7,710,366	-	-	-	-	-	-	-	8,565,573	-	8,565,573	
Changes in equity of associates accounted for using equity method	-	-	(17,346)	-	-	(51,217)	-	-	-	-	(68,563)	(83,749)	(152,312)	
Other changes in capital surplus	-	-	982	-	-	-	-	-	-	-	982	-	982	
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(693,361)	(693,361)	
BALANCE, DECEMBER 31, 2019	\$ 34,959,441	\$ 134,104	\$ 20,274,694	\$ 28,922,281	\$ 95,381	\$ 12,909,829	\$ (34,505)	\$ 473,410	\$ -	\$ (29,717,344)	\$ 68,017,291	\$ 6,158,984	\$ 74,176,275	

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

# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 16,581,810	\$ 17,689,217
Adjustments for:		
Depreciation expense	12,755,740	9,904,079
Amortization expense	3,439,851	3,657,017
Amortization of incremental costs of obtaining a contract	2,483,997	3,394,116
Loss on disposal of property, plant and equipment, net	277,123	80,282
Loss on disposal of intangible assets, net	-	128,002
Expected credit loss	241,043	411,210
Finance costs	574,780	601,841
Interest income	(115,313)	(61,633)
Dividend income	(117,211)	(83,164)
Share of profit of associates accounted for using equity method	(10,488)	(27,128)
Valuation (gain) loss on financial assets and liabilities at fair value through profit or loss	(2,858)	19,745
Reversal of impairment loss on property, plant and equipment	-	(103,586)
Impairment loss on intangible assets	40,155	-
Others	(2,950)	891
Changes in operating assets and liabilities		
Financial assets mandatorily at fair value through profit or loss	84,864	736,265
Contract assets	388,595	1,920,836
Notes and accounts receivable	(552,401)	(9,311)
Accounts receivable due from related parties	(276)	(34,468)
Other receivables	607,142	(272,544)
Inventories	(1,724,813)	387,701
Prepayments	(3,017)	(84,649)
Other current assets	716,507	(794,848)
Other financial assets	(11,484)	(9,299)
Incremental costs of obtaining a contract	(1,656,767)	(2,173,201)
Contract liabilities	1,921	(696,235)
Notes and accounts payable	903,305	(1,231,342)
Accounts payable due to related parties	(44,426)	49,956
Other payables	(533,329)	(831,657)
Provisions	(11,582)	(70,429)
Advance receipts	(19,658)	22,303
Other current liabilities	(14,010)	(4,055)
Net defined benefit liabilities	(48,831)	(53,206)
Other non-current liabilities	-	(19,744)
Cash inflows generated from operating activities	34,227,419	32,442,962
Interest received	42,534	1,199
Interest paid	(1,291)	(1,245)
Income taxes paid	(4,052,247)	(2,667,261)
Net cash generated from operating activities	30,216,415	29,775,655

(Continued)

# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	\$ (6,605,925)	\$ (7,813,657)
Acquisition of right-of-use assets	(14,858)	-
Acquisition of intangible assets	(291,260)	(363,471)
Increase in prepayments for equipment	(240,031)	(316,330)
Increase in prepayments for investment	(100,000)	-
Proceeds from disposal of property, plant and equipment	49,700	44,838
Decrease in advanced receipts from assets disposals	(123)	(72)
Acquisition of financial assets at fair value through profit or loss	(2,500)	-
Acquisition of investments accounted for using equity method	(262,000)	(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 disposal of financial assets at fair value through other comprehensive income	-	1,669
Proceeds from capital return of financial assets at fair value through other comprehensive income	-	3,149
Increase in refundable deposits	(1,257,689)	(307,564)
Decrease in refundable deposits	249,028	281,551
Increase in other financial assets	(222,215)	(254,531)
Decrease in other financial assets	73,985	2,478,579
Interest received	58,545	60,977
Dividend received	<u>192,062</u>	<u>159,947</u>
Net cash used in investing activities	<u>(8,373,281)</u>	<u>(5,526,329)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	6,000,000	599,472
Increase (decrease) in short-term notes and bills payable	399,285	(4,096,683)
Proceeds from issue of bonds	-	14,984,564
Repayments of bonds payable	(4,500,000)	(7,400,000)
Repayment of long-term borrowings	(2,304,000)	(11,206,042)
Repayment of the principal portion of lease liabilities	(3,776,678)	-
Increase in guarantee deposits received	217,256	162,473
Decrease in guarantee deposits received	(138,587)	(126,783)
Cash dividends paid (including amount paid to non-controlling interests)	(16,059,547)	(15,860,099)
Interest paid	(512,224)	(439,637)
Changes in non-controlling interests	<u>-</u>	<u>2,316</u>
Net cash used in financing activities	<u>(20,674,495)</u>	<u>(23,380,419)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS</b>	<u>(3,979)</u>	<u>(1,741)</u>

(Continued)

# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

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	2019	2018
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 1,164,660	\$ 867,166
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,498,710</u>	<u>6,631,544</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,663,370</u>	<u>\$ 7,498,710</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 YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. ORGANIZATION AND OPERATIONS

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

TWM received a second-generation (“2G”) mobile telecommunications concession operation license issued by the Directorate General of Telecommunications (“DGT”) of the ROC. The license allows TWM to provide services for 15 years from 1997 onwards. The 2G concession license had been renewed by the National Communications Commission (“NCC”) and terminated on June 30, 2017. TWM received a third-generation (“3G”) concession license issued by the DGT in March 2005, and the 3G concession license terminated on December 31, 2018. TWM participated in the fourth-generation (“4G”) mobile spectrum auctions held by NCC for the need of long-term business development and from April 2014 to June 2018 acquired the concession licenses for the mobile broadband spectrum in the 700MHz, 1800MHz and 2100MHz frequency bands separately, and the aforementioned licenses are valid until December 2030 and December 2033, respectively. In February 2020, TWM acquired the fifth-generation (“5G”) concession licenses for the mobile broadband spectrum in the 3500MHz and 28000MHz, and the aforementioned licenses are valid until December 2040.

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

### 2. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements on February 21, 2020.

### 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 lessee's weighted average 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:

	<b>Carrying Amount as of December 31, 2018</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2019</b>
<b><u>Current assets</u></b>			
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
<b><u>Non-current assets</u></b>			
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>	
<b><u>Current liabilities</u></b>			
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
<b><u>Non-current liabilities</u></b>			
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>	
<b><u>Equity</u></b>			
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.

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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 retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

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

##### **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 IFRSs as endorsed and issued into effect by the FSC.



## Basis of Preparation

### a. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

### b. Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars (NTD), which is TWM's functional currency.

## Basis of Consolidation

### a. Principles for preparation of the consolidated financial statements

The consolidated financial statements incorporate the financial statements of TWM and its controlled entities (the subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective dates of acquisitions or to the effective dates of disposals, as appropriate. The comprehensive income from subsidiaries is allocated to TWM and its non-controlling interests, even if the non-controlling interests have a deficit balance.

Changes in the ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of TWM.

Financial statements of subsidiaries are adequately adjusted to align their accounting policies with those of the Group.

Transactions and balances, and any income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

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

Investor	Subsidiary	Main Business and Products	Percentage of Ownership		Note
			December 31		
			2019	2018	
TWM	Taiwan Cellular Co., Ltd. (TCC)	Investment	100.00%	100.00%	-
	Wealth Media Technology Co., Ltd. (WMT)	Investment	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%	
TCC	Taiwan Fixed Network Co., Ltd. (TFN)	Fixed-line service provider	100.00%	100.00%	-
	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service and telephone marketing	100.00%	100.00%	-

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Ownership		Note	
			December 31			
			2019	2018		
TCC	TWM Holding Co., Ltd. (TWM Holding)	Investment	100.00%	100.00%	-	
	TCC Investment Co., Ltd. (TCCI)	Investment	100.00%	100.00%	Note 2	
	Taiwan Digital Communications Co., Ltd. (TDC)	Mobile phone wholesaling and TV program production	-	100.00%	Note 3	
	Taiwan Digital Service Co., Ltd. (TDS)	Commissioned maintenance service	100.00%	100.00%	-	
	Taihsin Property Insurance Agent Co., Ltd. (TPIA)	Property insurance agent	100.00%	100.00%	-	
	Tai-Fu Cloud Technology Co., Ltd. (TFC)	Type II Telecommunications Business	100.00%	100.00%	-	
WMT	TFN Media Co., Ltd. (TFNM)	Type II Telecommunications Business	100.00%	100.00%	-	
	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00%	100.00%	-	
	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00%	100.00%	-	
	Win TV Broadcasting Co., Ltd. (WTVB)	TV program provider	100.00%	100.00%	-	
	momo.com Inc. (momo)	Wholesale and retail sales	45.01%	45.01%	-	
TFN	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00%	100.00%	Note 2	
	TFN HK Ltd.	Telecommunication service provider	-	100.00%	Note 3	
TWM Holding	TWM Communications (Beijing) Co., Ltd. (TWMC)	Mobile application development and design	100.00%	100.00%	-	
TCCI	TCCI Investment and Development Co., Ltd. (TID)	Investment	100.00%	100.00%	Note 2	
TFNM	Taiwan Kuro Times Co., Ltd. (TKT)	Online music service	100.00%	100.00%	-	
	Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Cable TV service provider	100.00%	100.00%	-	
	Mangrove Cable TV Co., Ltd. (MCTV)	Cable TV service provider	29.53%	29.53%	Note 4	
	Phoenix Cable TV Co., Ltd. (PCTV)	Cable TV service provider	100.00%	100.00%	-	
	Union Cable TV Co., Ltd. (UCTV)	Cable TV service provider	99.22%	99.22%	-	
	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV service provider	92.38%	92.38%	-	
	GFMT	UCTV	Cable TV service provider	0.76%	0.76%	-
	GWMT	GCTV	Cable TV service provider	6.83%	6.83%	-
momo	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	81.99%	81.99%	-	
	Honest Development Co., Ltd. (Honest Development)	Investment	100.00%	100.00%	-	
	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.00%	100.00%	-	
	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.00%	100.00%	-	
	Fu Sheng Travel Service Co., Ltd. (FST)	Travel agent	100.00%	100.00%	-	
	Bebe Poshe International Co., Ltd. (Bebe Poshe)	Wholesale of cosmetics	85.00%	85.00%	-	

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Ownership		Note
			December 31		
			2019	2018	
Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.00%	100.00%	-
Honest Development	Hongkong Yue Numerous Investment Co., Ltd. (HK Yue Numerous)	Investment	100.00%	100.00%	-
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.00%	100.00%	-
HK Yue Numerous	Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo)	Investment	100.00%	100.00%	-
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	93.55%	93.55%	-
(Concluded)					

Note 1: Set up in September 2019.

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

### Foreign Currency

Foreign currency transactions are recorded at the spot exchange rate on the date of the transaction. At the end of the reporting period, foreign currency monetary items are reported using the closing rate. Exchange differences in the period on monetary items arising from settlement or translation are recognized in profit or loss in the period which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

When preparing consolidated financial statements, the assets and liabilities of foreign operations are translated to NTD using the exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated at the average exchange rate for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity attributed to the owners of TWM and non-controlling interests as appropriate.

### Classification of Current and Non-current Assets and Liabilities

The Group classifies an asset as current when any one of the following requirements is met. Assets that are not classified as current are non-current assets.

- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within twelve months after the reporting period; or

- c. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies a liability as current when any one of the following requirements is met. Liabilities that are not classified as current are non-current liabilities.

- a. It holds the liability primarily for the purpose of trading;
- b. The liability is due to be settled within twelve months after the reporting period; or
- c. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

## **Financial Instruments**

Financial assets and financial liabilities are recognized in consolidated balance sheets when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

- a. Financial assets

The Group adopts trade-date accounting to recognize and derecognize financial assets.

### **1) Measurement category**

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

#### **a) Financial assets at FVTPL**

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 29.

#### **b) Financial assets at amortized cost**

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets and refundable deposits are measured at amortized cost, which equal to gross carrying amount determined by the effective interest method less any impairment loss, except for short-term receivables when the recognition of interest is immaterial. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments. If they do not meet the above definition, time deposits should be recognized as other current or non-current financial assets.

#### c) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

### 2) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses ("ECL") on financial assets at amortized cost (including receivables) and contract assets.

The loss allowances for receivables and contract assets are measured at an amount equal to lifetime ECL. For other financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to 12-month ECL. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to lifetime ECL.

ECLs reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- 1) Internal or external information shows that the debtor is unlikely to pay its creditors.
- 2) Failure to meet the obligation associated with liabilities within the credit terms.

The Group recognizes an impairment loss in profit or loss for aforementioned financial instruments and contract assets with a corresponding adjustment to their carrying amount through a loss allowance account.

### 3) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of investments in equity instruments at FVTOCI, the cumulative gain or loss is directly transferred to retained earnings, and it is not reclassified to profit or loss.

## b. Equity instruments

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

## c. Financial liabilities

### 1) Recognition

Except for the financial liabilities measured at FVTPL, all financial liabilities, including loans and borrowings, short-term notes and bills payable, bonds payable, notes and accounts payable, other payables, guarantee deposits received, etc., are measured at amortized cost calculated using the effective interest method.

### 2) Convertible bonds

The component parts of compound financial instruments (convertible bonds) issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated at the prevailing market interest rate for similar non-convertible instruments. The amount is recognized as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be reclassified as capital surplus - additional paid-in capital. If the conversion option remains unexercised at maturity, the balance recognized in equity will be

reclassified as capital surplus - others.

Transaction costs that relate to the issuance of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

### 3) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

### d. Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

## **Inventories**

Inventories are measured at the lower of cost or net realizable value. Inventories are assessed item by item, except those with similar characteristics which are assessed collectively. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling expenses. The weighted-average method is used in the calculation of cost.

## **Non-current Assets Held for Sale**

The book value of non-current assets classified as held for sale is expected to be recovered primarily through sale. Being classified as held for sale, the assets should be available for immediate sale. Being available for immediate sale means the management is committed to a planned sale and the sale is highly probable within 12 months.

Assets classified as non-current assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell, and should not be depreciated.

## **Investment in Associates**

An associate is an entity in which the Group has significant influence, but is neither a subsidiary nor an interest in a joint venture. The Group applies the equity method to account for its investments in associates.

Investments in associates are accounted for using equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses. Goodwill is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, is recognized immediately in profit or loss after reassessment. The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently

increases.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (loss) of equity-accounted investees, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

When the Group doesn't subscribe for additional new shares of an associate as its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its disproportionate subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group loses significant influence over an associate, it recognizes the investment retained in the former associate at its fair value at the date when significant influence is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when significant influence is lost is recognized as a gain or loss in profit or loss. Besides this, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if the Group had directly disposed of the related assets or liabilities. If the Group decreased the percentage of the ownership of associate due to disposal but still accounts for its investments in associate, it should reclassify the amount previously recognized in other comprehensive income to profit or loss proportionally.

When the Group transacts with its associates, profits and losses resulting from the transactions with the associates are recognized in the Group's consolidated financial statements only to the extent that interests in the associates are not related to the Group.

### **Property, Plant and Equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated with a separate depreciation rate or depreciation method.

The depreciable amount of an asset is determined after deducting its residual amount, and the net amount shall be allocated by the straight-line method over its useful life. Each significant item of property, plant and equipment shall be evaluated and depreciated separately if it possesses a different useful life. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated. For the estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment, see Note 13 to the consolidated financial statements for details.



Depreciation methods, useful lives, and residual values are reviewed at the end of each reporting period. If expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

Property, plant and equipment are derecognized when disposed of or expected to have no future economic benefits generated through usage or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit and loss.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group and the amount can be reliably measured. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

## **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.

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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.

## **Investment Property**

Investment property is a property held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation methods, useful lives, and residual values are the same as plant, property and equipment.

## **Intangible Assets**

### **a. Goodwill**

Goodwill acquired in a business combination is recognized at the acquisition date, and is measured at cost less accumulated impairment losses.

### **b. Service concession agreement**

The operator recognizes the right to charge users for a service as an intangible asset. The operator measures the intangible asset at fair value.

### **c. Other intangible assets**

Other intangible assets that are acquired through business combinations or are internally developed are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets that are acquired through business combinations are measured at acquisition-date fair value, and recognized along with goodwill.

d. **Amortization and derecognition of intangible assets**

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date that they are available for use. For the estimated useful lives for the current and comparative periods, see Note 16 to the consolidated financial statements for details.

The amortization method, the amortization period, and the residual value for an intangible asset with a finite useful life shall be reviewed at each fiscal year-end. Any changes shall be accounted for as changes in accounting estimates.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

**Incremental Costs of Obtaining a Contract**

Only when a contract is obtained, sales commissions and subsidies of telecommunication, cable television and broadband services are recognized as incremental costs of obtaining a contract to the extent the amounts are expected to be recovered, and are amortized on a straight-line basis over the life of the contract. However, the Group elects not to capitalize the incremental costs of obtaining a contract if the amortization period of the assets that the Group otherwise would have recognized is expected to be one year or less.

**Impairment of Non-financial Assets**

a. **Goodwill**

Impairment of goodwill is required to be tested annually or more frequently whenever there is an indication that the unit may be impaired. Goodwill shall be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. If the recoverable amount of the cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

b. **Other tangible, intangible assets, and incremental costs of obtaining a contract**

At the end of each reporting period, the Group reviews the carrying amounts of those assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## **Provisions**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

### **a. Restoration**

The restoration costs for property, plant and equipment that were originally acquired or used by the Group for a period of time and had obligations for dismantling, relocating, and restoring to the previous state should be recognized as an addition to the assets and accrued as a potential liability accordingly.

### **b. Decommissioning**

For a service concession agreement, the concession receiver has an obligation for maintenance or decommissioning before returning the construction to the grantor as stated in the concession agreement. For a BOT contract, the costs paid for the obligation for maintenance or decommissioning should be recognized as expense and liabilities.

### **c. Warranties**

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on sales contracts, historical warranty data, and a weighing of all possible outcomes against their associated probabilities.

## **Treasury Stock**

Repurchased stocks are recognized under treasury stock (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. TWM's stocks held by its subsidiaries are regarded as treasury stock.

Gains on disposal of treasury stock should be recognized under "capital reserve - treasury stock transactions"; losses on disposal of treasury stock should be offset against existing capital reserves arising from similar types of treasury stock. If there is insufficient capital reserve to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury stock should be calculated using the weighted-average method for the purpose of repurchased stock.

## **Government Grants**

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets; or recognized as a book value deduction of the non-current assets and classified as profit or loss within their useful lives through deducting depreciation expenses of the related non-current assets.

Government grants that are receivable as compensation for expenses or losses already incurred are recognized in profit or loss in the period in which they become receivable.

## **Employee Benefits**

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss in the periods during which services are rendered by employees.

The defined benefit costs (including service cost, net interest, and remeasurement) of defined benefit plan use the projected unit credit method for the actuarial valuation. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized under employee benefit expense as they occur. Remeasurement (including actuarial gains and losses, changes in the effect of the asset ceiling, and the return on plan assets, excluding amounts included in net interest) is recognized in other comprehensive income (loss) in retained earnings as it occurs, and is not reclassified to profit or loss subsequently.

Net defined benefit liability (asset) is the deficit (surplus) of defined benefit plans. IAS 19 requires the Group to limit the carrying amount of a net defined benefit asset so that it does not exceed the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

## **Income Tax**

Income tax expense represents the sum of the tax currently payable and deferred tax. Except for expenses related to business combinations, expenses directly recognized in equity or other comprehensive income (loss), and other related expenses, all current and deferred taxes shall be recognized in profit or loss.

### **a. Current taxes**

Current taxes include tax payables and tax deduction receivables on taxable gains (losses), as well as tax adjustments related to prior years.

An additional surtax on undistributed earnings, computed according to the ROC Income Tax Act, is recognized in current taxes in the year of approval by a stockholders' meeting resolution.

### **b. Deferred taxes**

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or

substantively enacted at the end of the reporting period. The measurement reflects the Group's expectations at the end of the reporting period as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated at the end of each reporting period, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

## **Revenue**

Where the Group enters into transactions which involve both the provision of telecommunications service bundled with products such as handsets, total consideration received from products and telecommunications service in these arrangements is allocated based on their relative stand-alone selling price. The amount of sales revenue recognized for products is not limited to the amount paid by the customer for the products at the time of purchase. When the amount of sales revenue recognized for products exceeds the amount paid by the customer for the products, the difference is recognized as a contract asset. A contract asset is derecognized and an account receivable is recognized when the amount becomes collectible from the customer subsequently. When the amount of sales revenue recognized for products is less than the amount paid by the customer for the products, the difference is recognized as contract liabilities and the revenue is recognized subsequently when the telecommunications service is provided.

Under customer loyalty program, the Group offers reward points or vouchers for customers to deduct the price when they are redeemed. Transaction price is allocated on a stand-alone selling price basis to reward points and vouchers. Reward points and vouchers will be recognized as revenue when they are redeemed or expired.

### Telecommunications and value-added services revenue

Service revenues from telecommunications services, fixed network services and internet services, are billed at predetermined rates and calculated by the actual volume of voice call and data transfer. Revenues from postpaid users are accrued monthly. Revenues from prepaid users are recognized based on the actual usage. The advanced receipts obtained before services are rendered are recognized as contract liabilities and reclassified as revenues when services are rendered. Interconnection and call transfer fees from other telecommunications companies and carriers are billed and recognized based upon seconds or minutes of traffic processed when the services are provided in accordance with contract terms. The usage revenues and corresponding trade notes and accounts receivable are recognized monthly.

### Revenue from sale of goods

Revenues from sale of goods are mainly generated from physical stores, e-commerce platform, television channels and catalog. Revenues are recognized when the goods are transferred or delivered to the customers. Advance receipts obtained before goods are transferred or delivered are recognized as contract liabilities, and reclassified as revenue when the goods are transferred or delivered. When rights of return exist, refund liability and right to recover a product are accrued based on past experience and other relevant factors.

### Cable television and broadband services revenue

The Group recognizes advance receipts as contract liabilities initially, with prepayment period of annually, semi-annually, quarterly or monthly, which is reclassified as cable television and broadband service revenue as service becomes rendered, and do not include significant financing component. The Group provides contractual services such as the right of access to cable channels and internet over the duration of

the contract, and recognizes revenue over the duration of the contract through the straight-line method.

#### Other operating income

The Group recognizes advance receipts obtained before contracts are initiated as contract liabilities, and contract liabilities are transferred into revenue after the completion of usage or over the term of the relevant lease. Short-term lease revenues are recognized after the completion of usage. Long-term lease revenues are recognized over the term of the relevant lease through the straight-line method, and do not include significant financing component.

Service revenues generated from contractual agreements are recognized as revenue as services are rendered based on the completion of the contracts and the Group does not have any further obligations. In addition, when the Group is acting as an agent in the transaction, proportional revenue is recognized based on the net amount in accordance with the contractual agreements proportionally.

Advertising revenues are recognized as services are rendered over the contract terms.

#### **Business Combinations**

Business combinations are accounted for by the acquisition method. Acquisition-related costs are recognized in profit or loss as they are incurred.

Goodwill is measured as an aggregation of the consideration transferred at the acquisition date, and the amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed at fair value. If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter.

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

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management will continually review the estimates and basic assumptions. The impact of changes in accounting estimates will be recognized in the period of change and the future period impacted.

#### **Critical Accounting Judgements**

##### **a. 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.

#### **Key Sources of Estimation Uncertainty**

##### **a. Impairment assessment of tangible and intangible assets (goodwill is excluded)**

In the process of impairment assessments, the Group relies on subjective judgment to determine the individual cash flows of a specific group of assets and estimates future gains and losses according to the

usage of the assets and relevant business characteristics. Alterations of estimates from any changes in economic conditions or business strategy may lead to significant impairment losses in the future.

b. Impairment assessment of goodwill

The usage value of the cash-generating units to which goodwill is allocated should be predetermined when assessing whether the goodwill is impaired. Management estimates the future cash flows from cash-generating units and assigns an appropriate discount rate in calculating the present value. Significant impairment loss may occur if actual cash flows are less than that originally forecasted.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash on hand and revolving funds	\$ 60,483	\$ 156,900
Cash in banks	3,545,544	3,603,620
Time deposits	2,423,103	1,588,020
Government bonds with repurchase rights	<u>2,634,240</u>	<u>2,150,170</u>
	<u>\$ 8,663,370</u>	<u>\$ 7,498,710</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Investments in equity instruments - current</u>		
Domestic investments		
Listed stocks	\$ 239,086	\$ 245,607
Foreign investments		
Unlisted stocks	<u>7,407</u>	<u>10,125</u>
	<u>\$ 246,493</u>	<u>\$ 255,732</u>
<u>Investments in equity instruments - non-current</u>		
Domestic investments		
Listed stocks	\$ 4,580,516	\$ 3,778,949
Unlisted stocks	173,515	181,178
Foreign investments		
Limited partnerships	462,068	775,385
Unlisted stocks	<u>29,789</u>	<u>28,387</u>
	<u>\$ 5,245,888</u>	<u>\$ 4,763,899</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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Notes receivable	\$ 224,042	\$ 175,658
Accounts receivable	7,793,254	7,820,249
Less: Allowance for impairment loss	<u>(345,458)</u>	<u>(464,049)</u>
	<u><b>\$ 7,671,838</b></u>	<u><b>\$ 7,531,858</b></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:

### December 31, 2019

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

December 31, 2018

		<b>Overdue</b>			
	<b>Not Past Due</b>	<b>1 to 120 Days</b>	<b>121 to 365 Days</b>	<b>Over 365 Days</b>	<b>Total</b>
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>

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

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

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 464,049	\$ 468,474
Add: Provision	239,681	424,395
Recovery	42,280	11,945
Less: Write-off	<u>(400,552)</u>	<u>(440,765)</u>
Ending balance	<u>\$ 345,458</u>	<u>\$ 464,049</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:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Merchandise	\$ 5,662,872	\$ 3,936,724
Materials for maintenance	<u>7,604</u>	<u>8,939</u>
	<u>\$ 5,670,476</u>	<u>\$ 3,945,663</u>

For the years ended December 31, 2019 and 2018, the cost of goods sold related to inventories amounted to \$62,137,365 thousand and \$52,564,502 thousand, respectively, which included the inventory write-down totaling \$17,141 thousand and \$29,381 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	December 31			
	2019		2018	
	Amount	% of Ownership	Amount	% of Ownership
Global Home Shopping Co., Ltd. (GHS)	\$ 560,029	20.00	\$ 766,529	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	404,413	17.70	385,706	17.70
kbro Media Co., Ltd. (kbro Media)	136,812	32.50	154,847	32.50
TVD Shopping Co., Ltd. (TVD Shopping)	119,531	35.00	119,889	35.00
Alliance Digital Tech Co., Ltd. (ADT)	6,072	14.40	8,636	14.40
Mistake Entertainment Co., Ltd. (M.E.)	25,045	15.00	-	-
AppWorks Ventures Co., Ltd (AppWorks)	<u>226,123</u>	51.00	<u>-</u>	-
	<u>\$ 1,478,025</u>		<u>\$ 1,435,607</u>	

Aggregate information of associates that were not individually material:

	December 31	
	2019	2018
The Group's share of:		
Profit	\$ 10,488	\$ 27,128
Other comprehensive income (loss)	<u>19,637</u>	<u>(19,517)</u>
Comprehensive income	<u>\$ 30,125</u>	<u>\$ 7,611</u>

### a. GHS

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

Due to non-participation in GHS's capital increase in October 2015, momo's subsidiary's percentage of ownership 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 interest of GHS.

### b. TPE

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

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

### c. TVD Shopping

In April 2014, momo acquired 35% equity interest of TVD Shopping 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 interest 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 December 31, 2019, ADT was still under liquidation procedures.

e. M.E.

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

f. AppWorks

In September 2019, TWM acquired 51% equity interest of AppWorks. TWM has no control over AppWorks due to its holding less than half number of seats on AppWorks' board of directors. Therefore, TWM only has significant influence on AppWorks and accounts for its 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	
	December 31	
	2019	2018
momo	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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current assets	\$ 7,547,400	\$ 6,168,249
Non-current assets	14,525,235	13,531,769
Current liabilities	(7,372,246)	(5,772,994)
Non-current liabilities	<u>(1,050,690)</u>	<u>(281,454)</u>
Equity	<u>\$ 13,649,699</u>	<u>\$ 13,645,570</u>
Equity attributable to:		
Owners of the parent	\$ 9,321,432	\$ 9,318,968
Non-controlling interests of momo	4,308,010	4,305,001
Non-controlling interests of momo's subsidiaries	<u>20,257</u>	<u>21,601</u>
	<u>\$ 13,649,699</u>	<u>\$ 13,645,570</u>
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating revenues	<u>\$ 51,830,417</u>	<u>\$ 42,017,012</u>
Profit	\$ 1,392,701	\$ 1,444,675
Other comprehensive loss	<u>(5,260)</u>	<u>(49,899)</u>
Comprehensive income	<u>\$ 1,387,441</u>	<u>\$ 1,394,776</u>
Profit (loss) attributable to:		
Owners of the parent	\$ 627,409	\$ 652,554
Non-controlling interests of momo	766,372	797,086
Non-controlling interests of momo's subsidiaries	<u>(1,080)</u>	<u>(4,965)</u>
	<u>\$ 1,392,701</u>	<u>\$ 1,444,675</u>
Comprehensive income (loss) attributable to:		
Owners of the parent	\$ 625,200	\$ 630,001
Non-controlling interests of momo	763,673	769,537
Non-controlling interests of momo's subsidiaries	<u>(1,432)</u>	<u>(4,762)</u>
	<u>\$ 1,387,441</u>	<u>\$ 1,394,776</u>
Net cash generated from operating activities	\$ 2,836,386	\$ 2,085,628
Net cash used in investing activities	(398,567)	(683,882)
Net cash used in financing activities	(1,549,264)	(1,178,056)
Effect of exchange rate changes	<u>(1,162)</u>	<u>(311)</u>
Net increase in cash	<u>\$ 887,393</u>	<u>\$ 223,379</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	700,488	290,480	5,518,629	6,510,713
Reclassification	(2,766)	(3,370)	5,177,156	161,788	(5,360,738)	(27,930)
Disposals and retirements	(25,278)	(29,095)	(3,131,281)	(249,751)	(193)	(3,435,598)
Effect of exchange rate changes	-	-	(2,926)	(191)	-	(3,117)
Balance, December 31, 2019	<u>\$ 8,261,041</u>	<u>\$ 5,641,608</u>	<u>\$ 90,366,481</u>	<u>\$ 9,549,160</u>	<u>\$ 1,506,915</u>	<u>\$ 115,325,205</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	-	161,412	7,709,909	959,504	-	8,830,825
Reclassification	-	(1,180)	-	-	-	(1,180)
Disposals and retirements	(1,662)	(11,007)	(2,849,017)	(247,089)	-	(3,108,775)
Effect of exchange rate changes	-	-	(2,688)	(159)	-	(2,847)
Balance, December 31, 2019	<u>\$ -</u>	<u>\$ 1,649,207</u>	<u>\$ 69,379,600</u>	<u>\$ 8,114,393</u>	<u>\$ -</u>	<u>\$ 79,143,200</u>
Carrying amount, December 31, 2019	<u>\$ 8,261,041</u>	<u>\$ 3,992,401</u>	<u>\$ 20,986,881</u>	<u>\$ 1,434,767</u>	<u>\$ 1,506,915</u>	<u>\$ 36,182,005</u>
<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	4,609	16,415	285,948	458,845	6,331,513	7,097,330
Reclassification	38,391	106,721	6,277,548	377,595	(6,747,100)	53,155
Disposals and retirements	(4,772)	(2,885)	(3,443,813)	(414,183)	(1,391)	(3,867,044)
Effect of exchange rate changes	-	-	(1,702)	(111)	-	(1,813)
Balance, December 31, 2018	<u>\$ 8,289,085</u>	<u>\$ 5,672,957</u>	<u>\$ 87,623,044</u>	<u>\$ 9,346,834</u>	<u>\$ 1,349,217</u>	<u>\$ 112,281,137</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	-	158,304	8,434,614	1,291,105	-	9,884,023
Reversal of impairment loss	(81,764)	(21,822)	-	-	-	(103,586)
Reclassification	-	(5,065)	(1,061)	-	-	(6,126)
Disposals and retirements	-	(1,095)	(3,338,463)	(404,103)	-	(3,743,661)
Effect of exchange rate changes	-	-	(1,482)	(79)	-	(1,561)
Balance, December 31, 2018	<u>\$ 1,662</u>	<u>\$ 1,499,982</u>	<u>\$ 64,521,396</u>	<u>\$ 7,402,137</u>	<u>\$ -</u>	<u>\$ 73,425,177</u>
Carrying amount, December 31, 2018	<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>

- 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	1-20 years
Others	1-20 years

- b. The fair values of parts of TWM's properties (land and buildings) were measured using Level 3 inputs, arising from income approach and comparative approach adopted 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 year ended December 31, 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

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Land	\$ 565,364
Buildings	8,025,737
Telecommunications equipment and machinery	874,638
Others	<u>192,199</u>
	<u>\$ 9,657,938</u>
	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use assets	<u>\$ 3,730,923</u>
Depreciation charge for right-of-use assets	
Land	\$ 233,752
Buildings	3,404,023
Telecommunications equipment and machinery	202,542
Others	<u>64,297</u>
	<u>\$ 3,904,614</u>

- b. Lease liabilities - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Current	<u>\$ 3,532,951</u>
Non-current	<u>\$ 6,117,438</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31, 2019</b>
Land	0.78%-1%
Buildings	0.78%-5.44%
Telecommunications equipment and machinery	0.86%-4.38%
Others	0.78%-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

	<b>For the Year Ended December 31, 2019</b>
Expenses related to short-term leases	<u>\$ 57,107</u>
Expenses related to low-value asset leases	<u>\$ 69,676</u>
Expenses related to variable lease payments and not included in the measurement of lease liabilities	<u>\$ 43,116</u>
Total cash outflow for leases	<u>\$ (4,059,079)</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 December 31, 2019, the amount of lease commitments for short-term leases, for which the recognition exemption is applied, is \$19,411 thousand.



## 2018

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

	<b>December 31, 2018</b>
Less than one year	\$ 3,440,873
Between one and five years	5,876,088
More than five years	<u>41,277</u>
	<u><u>\$ 9,358,238</u></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:

	<b>For the Year Ended December 31, 2018</b>
Minimum lease payments	\$ 3,789,325
Receipts from subleases	<u>(10,947)</u>
	<u><u>\$ 3,778,378</u></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 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 December 31, 2019 and 2018, the fair values of investment properties were \$6,989,343 thousand and \$6,979,581 thousand, respectively, and the capitalization rates for the years were ranging from 1.32%-4.95% and 1.32%-5.23%, respectively.

The amount of depreciation recognized for the years ended December 31, 2019 and 2018 were \$20,301 thousand and \$20,056 thousand, respectively.

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

	<b>December 31, 2019</b>
Year 1	\$ 153,723
Year 2	143,089
Year 3	133,686
Year 4	81,103
Year 5	29,888
Year 6 and thereafter	<u>51,310</u>
	<u><u>\$ 592,799</u></u>

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

	<b>December 31, 2018</b>
Less than one year	\$ 152,807
Between one and five years	502,272
More than five years	<u>79,298</u>
	<u><u>\$ 734,377</u></u>

## 16. INTANGIBLE ASSETS

	<b>Concessions</b>			<b>Other Intangible Assets</b>					
	<b>Concession Licenses</b>	<b>Service Concessions</b>	<b>Goodwill</b>	<b>Computer Software</b>	<b>Customer Relationships</b>	<b>Operating Rights</b>	<b>Trademarks</b>	<b>Copyrights</b>	<b>Total</b>
<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	-	-	-	222,247	-	-	18	9,975	232,240
Disposals and retirements	-	-	-	(183,523)	-	-	-	-	(183,523)
Reclassification	-	-	-	150,700	-	-	-	-	150,700
Effect of exchange rate changes	-	-	-	(484)	-	-	-	-	(484)
Balance, December 31, 2019	<u>\$ 41,043,375</u>	<u>\$ 8,180,078</u>	<u>\$ 15,872,595</u>	<u>\$ 4,096,570</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,884</u>	<u>\$ 25,197</u>	<u>\$ 75,771,788</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	2,640,653	178,720	-	472,270	136,400	-	149	11,659	3,439,851
Disposals and retirements	-	-	-	(183,523)	-	-	-	-	(183,523)
Impairment loss	-	-	40,155	-	-	-	-	-	40,155
Effect of exchange rate changes	-	-	-	(380)	-	-	-	-	(380)
Balance, December 31, 2019	<u>\$ 10,303,927</u>	<u>\$ 1,210,025</u>	<u>\$ 40,155</u>	<u>\$ 3,465,304</u>	<u>\$ 1,647,063</u>	<u>\$ -</u>	<u>\$ 1,642</u>	<u>\$ 25,197</u>	<u>\$ 16,693,313</u>
Carrying amount, December 31, 2019	<u>\$ 30,739,448</u>	<u>\$ 6,970,053</u>	<u>\$ 15,832,440</u>	<u>\$ 631,266</u>	<u>\$ 1,007,026</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,242</u>	<u>\$ -</u>	<u>\$ 59,078,475</u>
<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	301,367	-	-	-	9,822	337,854
Disposals and retirements	(10,281,000)	-	-	(167,204)	-	-	-	-	(10,448,204)
Reclassification	-	-	-	244,680	-	-	-	5,400	250,080
Effect of exchange rate changes	-	-	-	(281)	-	-	-	-	(281)
Balance, December 31, 2018	<u>\$ 41,043,375</u>	<u>\$ 8,180,078</u>	<u>\$ 15,872,595</u>	<u>\$ 3,907,630</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,866</u>	<u>\$ 15,222</u>	<u>\$ 75,572,855</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	2,838,369	178,719	-	489,831	136,400	-	160	13,538	3,657,017
Disposals and retirements	(10,156,382)	-	-	(163,820)	-	-	-	-	(10,320,202)
Effect of exchange rate changes	-	-	-	(191)	-	-	-	-	(191)
Balance, December 31, 2018	<u>\$ 7,663,274</u>	<u>\$ 1,031,305</u>	<u>\$ -</u>	<u>\$ 3,176,937</u>	<u>\$ 1,510,663</u>	<u>\$ -</u>	<u>\$ 1,493</u>	<u>\$ 13,538</u>	<u>\$ 13,397,210</u>
Carrying amount, December 31, 2018	<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>

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

The 3G concession license terminated on December 31, 2018.

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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Telecommunications service	\$ 7,211,936	\$ 7,238,758
Fixed network service	357,970	357,970
Cable television business	3,269,636	3,269,636
Retail business	<u>4,992,898</u>	<u>5,006,231</u>
	<u>\$ 15,832,440</u>	<u>\$ 15,872,595</u>

e. Impairment of assets

In conformity with IAS 36 "Impairment of Assets", the Group identified its mobile communication service, fixed network service, cable television business, and retail business as the smallest identifiable units which can generate cash inflows independently.

The recoverable amounts of the operating assets were evaluated by business type, and the critical assumptions used for this evaluation were as follows:

### 1) Telecommunications service

#### a) Assumptions on cash flows

The five-year cash flow projections were estimated on the basis of previous experience, actual operating results, and the financial budget.

#### b) Assumptions on operating revenues

After taking changes in the telecom industry and the competitive landscape into consideration, operating revenues were estimated on the basis of the projected changes in subscriber numbers, minutes of incoming and outgoing calls, and rate plan composition.

#### c) Assumptions on operating costs and expenses

The estimates of activation commissions and customer retention costs were based on the new customers obtained and existing customers maintained. The estimates of remaining costs and expenses were based on the cost drivers of each item.

#### d) Assumptions on discount rates

For the years ended December 31, 2019 and 2018, the discount rates used to calculate the recoverable amount for the asset's cash-generating unit were 6.27% and 5.92%, respectively.

### 2) Fixed network service

#### a) Assumptions on cash flows

The five-year cash flow projections were estimated on the basis of previous experience, actual operating results, and the financial budget.

#### b) Assumptions on operating revenues

After taking changes and growth of business in the telecom industry into consideration, operating revenues were estimated on the basis of the types of data transmission and the demand for broadband capacity.

#### c) Assumptions on operating costs and expenses

The estimates of operating costs and expenses were based on the cost drivers of each cost and expense.

#### d) Assumptions on discount rates

For the years ended December 31, 2019 and 2018, the discount rates used to calculate the recoverable amount for the asset's cash-generating unit were 6.77% and 6.6%, respectively.

### 3) Cable television business

#### a) Assumptions on cash flows

The five-year cash flow projections were estimated on the basis of previous experience, actual operating results, and the financial budget.

b) Assumptions on operating revenues

After taking changes in the cable television industry and the competitive landscape into consideration, operating revenues were estimated on the basis of the projected changes in subscriber numbers and average revenue per subscriber.

c) Assumptions on operating costs and expenses

The estimates of commission costs, customer service costs, and bill processing costs were based on the projected changes in subscriber numbers. The estimates of remaining costs and expenses were based on the actual costs and expenses as a proportion of operating revenues.

d) Assumptions on discount rates

For the years ended December 31, 2019 and 2018, the discount rates used to calculate the recoverable amount for the asset's cash-generating unit for each system operator ranged from 5.01% to 5.64% and from 5.28% to 6.02%, respectively.

4) Retail business

a) Assumptions on cash flows

The five-year cash flow projections were estimated on the basis of previous experience, actual operating results, and the financial budget.

b) Assumptions on operating revenues

After taking changes in the retail business industry and the competitive landscape into consideration, operating revenues were estimated on the basis of the classification and average price of commodities, and the degree of the contribution of the customers.

c) Assumptions on operating costs and expenses

The estimates of costs and expenses were based on the actual costs and expenses as a proportion of operating revenues.

d) Assumptions on discount rates

For the years ended December 31, 2019 and 2018, the discount rates used to calculate the recoverable amount for the asset's cash-generating unit were 8.92% and 7.21%, respectively.

Based on the key assumptions of each cash-generating unit, the Group's management believes that the carrying amounts of these operating assets and intangible assets will not exceed their recoverable amounts even if there are any reasonable changes in the critical assumptions used to estimate recoverable amounts. For the year ended December 31, 2018, there was no impairment on such assets; for the year ended December 31, 2019, an impairment loss on goodwill, totaling \$40,155 thousand, was recognized as other gains and losses in the statement of comprehensive income since the operating conditions of subsidiaries were expected to decline in the future.

## 17. OTHER NON-CURRENT ASSETS

	December 31	
	2019	2018
Long-term accounts receivable	\$ 325,482	\$ 101,740
Refundable deposits (Note)	1,633,054	634,512
Prepayments for investment	100,000	-
Prepayments for equipment	131,228	29,256
Others	<u>504,706</u>	<u>509,687</u>
	<u>\$ 2,694,470</u>	<u>\$ 1,275,195</u>

Note: TWM applied for the participation in the 5G mobile spectrum auction held by NCC, and paid \$1,000,000 thousand as bid bond in October 2019.

## 18. BORROWINGS

### a. Short-term borrowings

	December 31	
	2019	2018
Unsecured loans	<u>\$ 16,270,000</u>	<u>\$ 10,270,000</u>
Annual interest rates	0.65%-0.95%	0.7%-0.96%

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

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

	December 31	
	2019	2018
Short-term notes and bills payable	\$ 1,900,000	\$ 1,500,000
Less: Discounts on short-term notes and bills payable	<u>(1,889)</u>	<u>(1,008)</u>
	<u>\$ 1,898,111</u>	<u>\$ 1,498,992</u>
Annual interest rates	0.688%	0.788%-0.798%

### c. Long-term borrowings

	December 31	
	2019	2018
Unsecured loans	\$ 6,000,000	\$ 8,000,000
Secured loans	2,889,373	3,192,674
Less: Current portion	<u>(303,297)</u>	<u>(2,303,236)</u>
	<u>\$ 8,586,076</u>	<u>\$ 8,889,438</u>
Annual interest rates:		
Unsecured loans	0.72%-0.79%	0.75%-1.07%
Secured loans	2.0337%	2.0337%

## 1) Unsecured loans

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

## 2) Secured loans

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

## 19. BONDS PAYABLE

	December 31	
	2019	2018
3rd domestic unsecured straight corporate bonds	\$ -	\$ 4,499,680
5th domestic unsecured straight corporate bonds	14,988,914	14,986,357
3rd domestic unsecured convertible bonds	914,522	9,432,780
Less: Current portion	-	(4,499,680)
	<u>\$ 15,903,436</u>	<u>\$ 24,419,137</u>

### a. 3rd domestic unsecured straight corporate bonds

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

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

### b. 4th domestic unsecured straight corporate bonds

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

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

c. 5th domestic unsecured straight corporate bonds

On April 20, 2018, TWM issued the 5th domestic unsecured straight corporate bonds. The bonds included five-year and seven-year bonds, with the principal amounts 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 December 31, 2019, the amount of unamortized bond issue cost was \$11,086 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 December 31, 2019, the amount of unamortized bond discount was \$15,978 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	185,759
Convertible bonds converted into common stock	<u>(305,584)</u>
Liability component on December 31, 2018	9,432,780
Interest charged at an effective interest rate	47,272
Convertible bonds converted into common stock	<u>(8,565,530)</u>
Liability component on December 31, 2019	<u>\$ 914,522</u>

As of December 31, 2019 and 2018, the bondholders had requested to convert the bonds at face values of \$9,069,500 thousand and \$314,200 thousand, respectively.



## 20. PROVISIONS

		<b>December 31</b>	
		<b>2019</b>	<b>2018</b>
Restoration		\$ 1,183,427	\$ 1,184,823
Decommissioning		324,693	268,536
Warranties		<u>40,111</u>	<u>67,929</u>
		<u>\$ 1,548,231</u>	<u>\$ 1,521,288</u>
Current		\$ 88,961	\$ 120,334
Non-current		<u>1,459,270</u>	<u>1,400,954</u>
		<u>\$ 1,548,231</u>	<u>\$ 1,521,288</u>

	<b>Restoration</b>	<b>Decom- missioning</b>	<b>Warranties</b>	<b>Total</b>
Balance, January 1, 2019	\$ 1,184,823	\$ 268,536	\$ 67,929	\$ 1,521,288
Provision	50,172	50,233	68,301	168,706
Payment/Reversal	(55,731)	(1,714)	(96,119)	(153,564)
Unwinding of discount	<u>4,163</u>	<u>7,638</u>	<u>-</u>	<u>11,801</u>
Balance, December 31, 2019	<u>\$ 1,183,427</u>	<u>\$ 324,693</u>	<u>\$ 40,111</u>	<u>\$ 1,548,231</u>
Balance, January 1, 2018	\$ 1,208,093	\$ 213,372	\$ 128,412	\$ 1,549,877
Provision	59,291	48,961	92,463	200,715
Payment/Reversal	(88,115)	-	(152,946)	(241,061)
Unwinding of discount	<u>5,554</u>	<u>6,203</u>	<u>-</u>	<u>11,757</u>
Balance, December 31, 2018	<u>\$ 1,184,823</u>	<u>\$ 268,536</u>	<u>\$ 67,929</u>	<u>\$ 1,521,288</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 provision, the Group’s contribution to the pension plan amounted to \$311,921 thousand and \$307,042 thousand for the years ended December 31, 2019 and 2018, respectively.

### b. Defined benefit plans

The Group contributed 2% of each employee’s monthly wages to the pension fund, with Bank of Taiwan acting as the custodian bank, in accordance with the defined benefit plans (the “Plans”). The Plan provides defined pension benefits for the Group’s certain qualified employees, specified under the Labor Standards Law, and such benefits are determined based on an employee’s years of service and average monthly salary for six-month period prior to the date of retirement. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group will fund the difference in one appropriation before the end of March of the following

year. The fund is operated and managed by the government's designated authorities; as such, the Group does not have any right to participate in the operation of the fund.

The defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligations	\$ 1,500,604	\$ 1,415,592
Fair value of plan assets	<u>(983,429)</u>	<u>(904,712)</u>
Net defined benefit liabilities	<u>\$ 517,175</u>	<u>\$ 510,880</u>

The movements in present value of defined benefit obligations for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance, January 1	\$ 1,415,592	\$ 1,284,048
Current service costs	2,103	2,109
Past service costs	(854)	165
Interest costs	17,093	18,651
Actuarial loss - changes in demographic assumptions	26,252	90,641
Actuarial loss - changes in financial assumptions	69,940	48,477
Actuarial (gain) loss - experience adjustments	(11,438)	2,934
Benefits paid from plan assets	(15,296)	(31,433)
Paid from defined benefit obligations	<u>(2,788)</u>	<u>-</u>
Balance, December 31	<u>\$ 1,500,604</u>	<u>\$ 1,415,592</u>

The movements in the fair value of the plan assets for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance, January 1	\$ 904,712	\$ 841,004
Net interest income	11,323	12,886
Return on plan assets (excluding amounts included in net interest)	29,628	21,010
Contributions from the employer	53,062	61,245
Benefits paid from plan assets	<u>(15,296)</u>	<u>(31,433)</u>
Balance, December 31	<u>\$ 983,429</u>	<u>\$ 904,712</u>

The expenses recognized in profit or loss for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current service costs	\$ 2,103	\$ 2,109
Past service costs	(854)	165
Interest costs	17,093	18,651
Net interest income	<u>(11,323)</u>	<u>(12,886)</u>
	<u>\$ 7,019</u>	<u>\$ 8,039</u>

The pre-tax remeasurements recognized in other comprehensive income (loss) for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Return on plan assets (excluding amounts included in net interest)	\$ (29,628)	\$ (21,010)
Actuarial loss - changes in demographic assumptions	26,252	90,641
Actuarial loss - changes in financial assumptions	69,940	48,477
Actuarial (gain) loss - experience adjustments	<u>(11,438)</u>	<u>2,934</u>
	<u>\$ 55,126</u>	<u>\$ 121,042</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial present values of the defined benefit obligation were carried out by the chartered actuary.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate	0.75%-1%	1%-1.375%
Long-term average adjustment rate of salary	2.5%-3%	2.5%-3%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate		
0.25% increase	<u>\$ (50,626)</u>	<u>\$ (50,155)</u>
0.25% decrease	<u>\$ 52,850</u>	<u>\$ 52,445</u>
Long-term average adjustment rate of salary		
0.25% increase	<u>\$ 51,172</u>	<u>\$ 50,979</u>
0.25% decrease	<u>\$ (49,300)</u>	<u>\$ (49,028)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
The expected contributions to the Plan for the following year	<u>\$ 32,349</u>	<u>\$ 32,752</u>
The average duration of the defined benefit obligation	11-17.4 years	12-18.3 years

## 22. EQUITY

### a. Common stock

As of December 31, 2019 and 2018, TWM's authorized capital was \$60,000,000 thousand and capital issued and outstanding were \$34,959,441 thousand and \$34,208,519 thousand, respectively, divided into 3,495,944 thousand shares and 3,420,852 thousand shares, respectively, which were all common stocks, at a par value of \$10 each.

As of December 31, 2019 and 2018, the bondholders of the 3rd domestic unsecured convertible bonds had requested to convert the bonds into 88,522 thousand and 3,001 thousand common stocks, respectively. TWM recognized 13,410 thousand and 2,982 thousand of common stocks, respectively, as capital collected in advance, totaling \$134,104 thousand and \$29,819 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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Additional paid-in capital from convertible corporate bonds	\$ 14,424,786	\$ 6,363,714
Treasury stock transactions	5,159,704	5,159,704
Difference between consideration and carrying amount arising from the disposal of subsidiaries' stock	85,965	85,965
Changes in equity of subsidiaries	501,215	501,215
Convertible bonds payable options	37,273	387,979
Changes in equity of associates accounted for using equity method	30,801	48,147
Others	<u>34,950</u>	<u>33,968</u>
	<u>\$ 20,274,694</u>	<u>\$ 12,580,692</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:

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

TWM's 2019 earnings appropriations will be proposed by the Board of Directors and approved in the AGM. Information on earnings appropriations is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity interests

	<b>Exchange Differences on Translation</b>	<b>Unrealized Gain (Loss) on Financial Assets at FVTOCI</b>	<b>Unrealized Gain (Loss) on Available-for- sale Financial Assets</b>	<b>Total</b>
Balance, January 1, 2019	\$ (24,398)	\$ (70,983)	\$ -	\$ (95,381)
Exchange differences on translation	(12,227)	-	-	(12,227)
Changes in fair value of financial assets at FVTOCI	-	470,394	-	470,394
Changes in other comprehensive income (loss) of associates accounted for using equity method	2,120	10,667	-	12,787
Income tax effect	<u>-</u>	<u>63,332</u>	<u>-</u>	<u>63,332</u>
Balance, December 31, 2019	<u>\$ (34,505)</u>	<u>\$ 473,410</u>	<u>\$ -</u>	<u>\$ 438,905</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	(7,235)	-	-	(7,235)
Changes in fair value of financial assets at FVTOCI	-	226,082	-	226,082
Changes in other comprehensive income (loss) of associates accounted for using equity method	(664)	(14,247)	-	(14,911)
Reclassification of loss on disposal of equity instruments to retained earnings	-	(1,825)	-	(1,825)
Income tax effect	<u>-</u>	<u>792</u>	<u>-</u>	<u>792</u>
Balance, December 31, 2018	<u>\$ (24,398)</u>	<u>\$ (70,983)</u>	<u>\$ -</u>	<u>\$ (95,381)</u>

e. Treasury stock

As of December 31, 2019 and 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, and the market values were \$78,260,179 thousand and \$74,417,046 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 stockholders, except that they are not allowed to subscribe new shares issued by TWM for cash and exercise the voting rights over such treasury stock.

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 6,112,176	\$ 5,879,738
Effect of retrospective application	16,275	(39)
Adjusted beginning balance	6,128,451	5,879,699
Portion attributable to non-controlling interests		
Profit	810,700	843,596
Exchange differences on translation	(12,219)	(6,879)
Unrealized gain (loss) on financial asset at FVTOCI	2,357	(16,157)
Share of other comprehensive income (loss) of associates accounted for using equity method	6,859	(4,344)
Changes in equity of associates accounted for using equity method	(83,749)	9,717
Remeasurements of defined benefit plans	(54)	38
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 interests	<u>-</u>	<u>10,295</u>
Ending balance	<u>\$ 6,158,984</u>	<u>\$ 6,112,176</u>

**23. OPERATING REVENUES**

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue from contracts with customers		
Telecommunications and value-added services	\$ 48,135,239	\$ 53,320,270
Sales revenue	68,983,292	58,023,078
Cable TV and broadband services	5,949,073	6,193,842
Other operating revenues	<u>1,353,309</u>	<u>1,195,138</u>
	<u>\$ 124,420,913</u>	<u>\$ 118,732,328</u>

a. Contract information

Please refer to Note 4 and Note 36.

b. Contract balances

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Contract assets		
Bundle sales	\$ 8,366,531	\$ 8,755,126
Less: Allowance for impairment loss	<u>(71,032)</u>	<u>(74,250)</u>
	<u>\$ 8,295,499</u>	<u>\$ 8,680,876</u>
Current	\$ 4,832,043	\$ 5,472,357
Non-current	<u>3,463,456</u>	<u>3,208,519</u>
	<u>\$ 8,295,499</u>	<u>\$ 8,680,876</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Contract liabilities		
Telecommunications and value-added services	\$ 1,125,265	\$ 1,235,446
Sales of goods	42,417	141,343
Cable TV and broadband services	672,667	694,228
Others	<u>12,351</u>	<u>15,920</u>
	<u>\$ 1,852,700</u>	<u>\$ 2,086,937</u>
Current	\$ 1,807,407	\$ 2,030,793
Non-current	<u>45,293</u>	<u>56,144</u>
	<u>\$ 1,852,700</u>	<u>\$ 2,086,937</u>

The changes in balances of contract assets and contract liabilities primarily result from the timing difference between the satisfaction of performance obligation and the payments collected from customers. Other significant changes are as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Contract assets		
Transfers of beginning balance to receivables	\$ (5,436,072)	\$ (6,242,827)

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. As of December 31, 2019 and 2018, the expected credit loss rates were both 0.02%-0.85%.

The movements of the allowance of contract assets are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 74,250	\$ 90,593
Less: Recovery	<u>(3,218)</u>	<u>(16,343)</u>
Ending balance	<u>\$ 71,032</u>	<u>\$ 74,250</u>

Revenue of the reporting period recognized from the beginning contract liabilities is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Contract liabilities		
Telecommunications and value-added services	\$ 1,116,074	\$ 1,722,803
Sales of goods	120,781	49,667
Cable TV and broadband services	683,439	777,337
Others	<u>12,688</u>	<u>13,082</u>
	<u>\$ 1,932,982</u>	<u>\$ 2,562,889</u>



c. Partially completed contracts

The transaction prices allocated to the performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as follows:

	<b>Telecommuni- cations and Value-added Services</b>	<b>Cable TV and Broadband Services</b>	<b>Others</b>	<b>Total</b>
December 31, 2019				
- in 2020	\$ 13,710,580	\$ 665,536	\$ 1,353	\$ 14,377,469
- in 2021	6,416,669	10,561	-	6,427,230
- after 2021	<u>724,224</u>	<u>-</u>	<u>-</u>	<u>724,224</u>
	<u>\$ 20,851,473</u>	<u>\$ 676,097</u>	<u>\$ 1,353</u>	<u>\$ 21,528,923</u>
December 31, 2018				
- in 2019	\$ 17,281,431	\$ 704,066	\$ 1,510	\$ 17,987,007
- in 2020	7,759,927	19,832	-	7,779,759
- after 2020	<u>1,024,079</u>	<u>237</u>	<u>-</u>	<u>1,024,316</u>
	<u>\$ 26,065,437</u>	<u>\$ 724,135</u>	<u>\$ 1,510</u>	<u>\$ 26,791,082</u>

The above information does not include contracts with expected durations which are equal to or less than one year.

d. Assets related to contract costs

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Incremental costs of obtaining a contract - non-current	<u>\$ 2,119,052</u>	<u>\$ 2,946,282</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 years ended December 31, 2019 and 2018 were \$2,483,997 thousand and \$3,394,116 thousand, respectively.

## 24. NON-OPERATING INCOME AND EXPENSES

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest income	\$ 115,313	\$ 61,633
Dividend income	117,211	83,164
Other income	<u>79,374</u>	<u>82,808</u>
	<u>\$ 311,898</u>	<u>\$ 227,605</u>

b. Other gains and losses, net

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Loss on disposal of property, plant and equipment, net	\$ (277,123)	\$ (80,282)
Loss on disposal of intangible assets, net	-	(128,002)
Valuation gain (loss) on financial assets at FVTPL	1,039	(27,806)
Valuation gain on financial liabilities at FVTPL	1,819	8,061
Reversal of impairment loss on property, plant and equipment	-	103,586
Impairment loss on intangible assets	(40,155)	-
Gain (loss) on foreign exchange	(40,890)	4,007
Others	<u>(3,821)</u>	<u>(5,281)</u>
	<u>\$ (359,131)</u>	<u>\$ (125,717)</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest expense		
Bank loans	\$ 193,088	\$ 236,880
Corporate bonds	249,243	319,895
Lease liabilities	96,987	-
Others	<u>40,408</u>	<u>51,087</u>
	579,726	607,862
Less: Capitalized interest	<u>(4,946)</u>	<u>(6,021)</u>
	<u>\$ 574,780</u>	<u>\$ 601,841</u>
Capitalization rates	1.34%	1.34%

## 25. INCOME TAX

a. Income tax recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current income tax expense		
Current period	\$ 3,169,982	\$ 3,085,799
Prior years' adjustment	46,802	(81,796)
Others	<u>(16,483)</u>	<u>(42,094)</u>
	<u>3,200,301</u>	<u>2,961,909</u>
Deferred income tax expense		
Temporary differences	89,642	239,578
Changes in tax rates	<u>-</u>	<u>1,962</u>
	<u>89,642</u>	<u>241,540</u>
Income tax expense	<u>\$ 3,289,943</u>	<u>\$ 3,203,449</u>

The reconciliation of profit before tax to income tax expense was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before tax	\$ 16,581,810	\$ 17,689,217
Income tax expense at domestic statutory tax rate	\$ 3,316,362	\$ 3,537,843
Effect of different tax rates on the group entities	382	(2,231)
Adjustment items in determining taxable profit	(93,992)	(316,909)
Temporary differences	89,642	239,578
Investment tax credits	(43,053)	(101,772)
Prior years' other adjustments	46,802	(81,796)
Loss carryforwards	(10,002)	(31,195)
Changes in tax rates	-	1,962
Land value increment tax	285	63
Others	<u>(16,483)</u>	<u>(42,094)</u>
	<u>\$ 3,289,943</u>	<u>\$ 3,203,449</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 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.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Group has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year 2019.

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Deferred income tax income		
Unrealized gain on financial assets at FVTOCI	\$ 63,332	\$ 792
Remeasurements from defined benefit plans	11,025	24,208
Changes in tax rates - Remeasurements of defined benefit plans	<u>-</u>	<u>18,302</u>
	<u>\$ 74,357</u>	<u>\$ 43,302</u>

c. Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2019 and 2018, were as follows:

For the Year Ended December 31, 2019					
	Opening Balance	Effect of Application	Recognized in		Closing Balance
			Profit or Loss	Other Comprehensive Income (Loss)	
<u>Deferred tax assets</u>					
Property, plant and equipment	\$ 354,881	\$ -	\$ (14,997)	\$ -	\$ 339,884
Defined benefit plans	107,209	-	(9,766)	11,025	108,468
Investment credits	18,558	-	(18,558)	-	-
Others	<u>325,873</u>	<u>(11,596)</u>	<u>14,228</u>	<u>62,383</u>	<u>390,888</u>
	<u>\$ 806,521</u>	<u>\$ (11,596)</u>	<u>\$ (29,093)</u>	<u>\$ 73,408</u>	<u>\$ 839,240</u>
<u>Deferred tax liabilities</u>					
Intangible assets	\$ 903,335	\$ -	\$ 65,688	\$ -	\$ 969,023
Others	<u>13,926</u>	<u>699</u>	<u>(5,139)</u>	<u>(949)</u>	<u>8,537</u>
	<u>\$ 917,261</u>	<u>\$ 699</u>	<u>\$ 60,549</u>	<u>\$ (949)</u>	<u>\$ 977,560</u>
For the Year Ended December 31, 2018					
	Opening Balance	Effect of Application	Recognized in		Closing Balance
			Profit or Loss	Other Comprehensive Income (Loss)	
<u>Deferred tax assets</u>					
Property, plant and equipment	\$ 442,595	\$ -	\$ (87,714)	\$ -	\$ 354,881
Defined benefit plans	79,596	-	(14,897)	42,510	107,209
Investment credits	-	-	18,558	-	18,558
Others	<u>298,053</u>	<u>(2,960)</u>	<u>27,951</u>	<u>2,829</u>	<u>325,873</u>
	<u>\$ 820,244</u>	<u>\$ (2,960)</u>	<u>\$ (56,102)</u>	<u>\$ 45,339</u>	<u>\$ 806,521</u>
<u>Deferred tax liabilities</u>					
Intangible assets	\$ 712,001	\$ -	\$ 191,334	\$ -	\$ 903,335
Others	<u>17,785</u>	<u>-</u>	<u>(5,896)</u>	<u>2,037</u>	<u>13,926</u>
	<u>\$ 729,786</u>	<u>\$ -</u>	<u>\$ 185,438</u>	<u>\$ 2,037</u>	<u>\$ 917,261</u>

2) Unrecognized deferred tax assets items

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Loss carryforwards	\$ <u>298,829</u>	\$ <u>507,257</u>

As of December 31, 2019, the Group had not recognized the prior years' loss carryforwards, totaling \$298,829 thousand, as deferred tax assets. The expiry years are from 2020 to 2029.

d. Income tax examinations

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

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

## 26. EARNINGS PER SHARE

<b>For the Year Ended December 31, 2019</b>			
	<b>Amount After Income Tax</b>	<b>Weighted- average Number of Common Stock</b>	<b>EPS</b>
Basic EPS			
Profit attributable to owners of the parent	\$ 12,481,167	2,767,709	<u>\$ 4.51</u>
Effect of potential dilutive common stock:			
Employees' compensation	-	3,863	
Convertible bonds	<u>45,453</u>	<u>52,208</u>	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 12,526,620</u>	<u>2,823,780</u>	<u>\$ 4.44</u>
<b>For the Year Ended December 31, 2018</b>			
	<b>Amount After Income Tax</b>	<b>Weighted- average Number of Common Stock</b>	<b>EPS</b>
Basic EPS			
Profit attributable to owners of the parent	\$ 13,642,172	2,722,519	<u>\$ 5.01</u>
Effect of potential dilutive common stock:			
Employees' compensation	-	4,405	
Convertible bonds	<u>80,227</u>	<u>95,073</u>	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 13,722,399</u>	<u>2,821,997</u>	<u>\$ 4.86</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 Year Ended December 31, 2019

	<b>Opening Balance</b>	<b>Cash Flows</b>	<b>Non-cash Changes</b>		<b>Closing Balance</b>
			<b>New Leases</b>	<b>Others</b>	
Lease liabilities (including current and non-current portions)	<u>\$ 9,980,846</u>	<u>\$ (3,873,221)</u>	<u>\$ 3,711,597</u>	<u>\$ (168,833)</u>	<u>\$ 9,650,389</u>

## 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 stockholders' return. By periodically reviewing and measuring relative cost, risk, and rate of return to ensure profit and to maintain adequate financial ratios, the Group may adopt various financing approaches to balance its capital structure in order to meet the demands for capital expenditures, working capital, settlements of liabilities, and dividend payments in its normal course of business for the future.

## 29. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 149	\$ 81,474
Financial assets at FVTOCI (including current and non-current portions)	5,492,381	5,019,631
Financial assets measured at amortized cost (including current and non-current portions) (Note 1)	<u>20,722,936</u>	<u>18,678,535</u>
Total	<u>\$ 26,215,466</u>	<u>\$ 23,779,640</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (including current and non-current portions) (Note 2)	\$ 61,453,923	\$ 69,992,701
Financial liabilities at FVTPL	<u>-</u>	<u>1,861</u>
Total	<u>\$ 61,453,923</u>	<u>\$ 69,994,562</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.

	December 31			
	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>				
Bonds payable (including current portion)	\$ 15,903,436	\$ 16,077,220	\$ 28,918,817	\$ 29,495,234

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).

December 31, 2019

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



December 31, 2018

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

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

Valuation techniques and assumptions used in fair value determination

- a) The fair value of financial instruments traded in active markets is based on quoted market prices (including stocks and funds of publicly traded companies).
- b) Valuation techniques and inputs applied for Level 2 fair value measurement:

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

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

- i. Equity instruments

The evaluation of fair value of unlisted stocks is mainly referenced to the same type of companies through the market approach. The unobservable input parameter was liquidity discount rates, which were both ranging from 20% to 30% as of December 31, 2019 and 2018.

The fair value of limited partnerships investments was evaluated through the market approach and income approach. The evaluation and assumptions are mainly referenced to related information of comparable market targets and estimated future cash flows. The unobservable input parameter was liquidity discount rates, which were estimated at 29.6% and 28% as of December 31, 2019 and 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 Year Ended December 31, 2019

	<b>Financial Assets at FVTPL - Equity Instruments</b>	<b>Financial Assets at FVTOCI - Equity Instruments</b>
Balance at January 1, 2019	\$ -	\$ 984,950
Additions	2,500	-
Recognized in profit or loss (loss on financial assets at FVTPL)	(2,351)	-
Recognized in other comprehensive income (unrealized loss on financial assets at FVTOCI)	-	(319,578)
Balance at December 31, 2019	<u>\$ 149</u>	<u>\$ 665,372</u>

For the Year Ended December 31, 2018

	<b>Financial Assets at FVTPL - Convertible Notes</b>	<b>Financial Assets at FVTOCI - Equity Instruments</b>
Balance at January 1, 2018	\$ 490,931	\$ 956,286
Recognized in profit or loss (gain on financial assets at FVTPL)	261	-
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	33,482
Redemption	(491,192)	-
Disposal	-	(1,669)
Capital return	-	(3,149)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 984,950</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 December 31, 2019 and 2018, the Group had unused bank facilities of \$56,641,022 thousand and \$58,376,758 thousand, respectively.

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

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

#### 5) Market risk

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

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

a) Exchange rate risk

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

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

<b>December 31, 2019</b>			
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 29,446	4.299	\$ 126,589
USD	50,271	30.02	1,509,081
EUR	1,162	33.62	39,057
Non-monetary items			
RMB	130,270	4.299	560,029
USD	16,384	30.02	491,857
HKD	1,921	3.855	7,407
THB	118,371	1.01	119,531
<u>Foreign currency liabilities</u>			
Monetary items			
USD	15,795	30.02	474,108
EUR	97	33.62	3,251
HKD	9,326	3.855	35,950
JPY	38,710	0.275	10,645
<b>December 31, 2018</b>			
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Foreign currency assets</u>			
Monetary items			
RMB	\$ 17,207	4.464	\$ 76,812
USD	37,052	30.79	1,140,858
EUR	609	35.05	21,323
Non-monetary items			
RMB	171,713	4.464	766,529
USD	26,105	30.79	803,772
HKD	2,576	3.93	10,125
THB	125,776	0.953	119,889
<u>Foreign currency liabilities</u>			
Monetary items			
USD	11,702	30.79	360,320
EUR	19	35.05	677

Please refer to Note 24(b) for the information related to the Group's realized and unrealized foreign exchange gains (losses) for the years ended December 31, 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 \$57,539 thousand and \$43,900 thousand for the years ended December 31, 2019 and 2018, respectively.

#### b) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial assets	\$ 5,763,639	\$ 4,290,492
Financial liabilities	41,837,415	33,285,029
Cash flow interest rate risk		
Financial assets	3,697,273	3,750,159
Financial liabilities	9,859,372	9,162,674

#### 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 \$30,810 thousand and \$27,063 thousand for the years ended December 31, 2019 and 2018, respectively.

#### c) Other market price risk

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

#### Sensitivity analysis

If the prices of equity instruments had decreased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), profit would have decreased by \$7 thousand and \$4,074 thousand since the fair value of financial assets at FVTPL decreased for

the years ended December 31, 2019 and 2018, respectively, and other comprehensive income would have decreased by \$274,619 thousand and \$250,982 thousand since the fair value of financial assets at FVTOCI decreased for the years ended December 31, 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

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

(Continued)

<b>Related Party</b>	<b>Nature of Relationship</b>
Mitchiller Media Co., Ltd.	Other related party (not a related party since August 2019)
Far Eastern Memorial Hospital	Other related party
Dai-Ka Ltd.	Other related party
Chen Feng Investment Ltd.	Other related party
Chen Yun Co., Ltd.	Other related party
Xi Guo Co., Ltd.	Other related party
Taiwan Mobile Foundation (TMF)	Other related party
Taipei New Horizon Foundation (TNHF)	Other related party
Fubon Cultural & Educational Foundation	Other related party
Fubon Charity Foundation	Other related party
Fubon Art Foundation	Other related party
Taipei Fubon Bank Charity Foundation	Other related party
Taipei New Horizon Management Agency	Other related party
Key management	Chairman, director, general manager, manager, etc.

(Concluded)

c. Significant transactions with related parties

1) Operating revenue

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates	\$ 77,795	\$ 76,963
Other related parties	<u>904,350</u>	<u>859,838</u>
	<u>\$ 982,145</u>	<u>\$ 936,801</u>

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

2) Purchases

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates	\$ 588,655	\$ 409,648
Other related parties	<u>369,102</u>	<u>860,007</u>
	<u>\$ 957,757</u>	<u>\$ 1,269,655</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	December 31	
		2019	2018
Accounts receivable	Associates	\$ 4,729	\$ 11,249
Accounts receivable	Other related parties	<u>141,457</u>	<u>126,709</u>
		<u>\$ 146,186</u>	<u>\$ 137,958</u>
Other receivables	Associates	\$ 63,988	\$ 113,187
Other receivables	Other related parties	<u>65,285</u>	<u>59,108</u>
		<u>\$ 129,273</u>	<u>\$ 172,295</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	December 31	
		2019	2018
Accounts payable	Associates	\$ 101,077	\$ 91,266
Accounts payable	Other related parties	<u>34,085</u>	<u>88,322</u>
		<u>\$ 135,162</u>	<u>\$ 179,588</u>
Other payables	Other related parties	<u>\$ 18,027</u>	<u>\$ 60,216</u>

5) Prepayments

	December 31	
	2019	2018
Other related parties	<u>\$ 15,803</u>	<u>\$ 15,467</u>

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

	December 31	
	2019	2018
Other related parties		
TFCB	\$ 2,102,334	\$ 1,284,174
Others	<u>18,736</u>	<u>23,001</u>
	<u>\$ 2,121,070</u>	<u>\$ 1,307,175</u>

7) Cash equivalents

Related Party	Target Acquired	For the Year Ended December 31	
		2019	2018
TFCB	Government bonds with repurchase rights	<u>\$ 240,000</u>	<u>\$ 1,670,129</u>

For the Year Ended December 31, 2019

<b>Related Party</b>	<b>Target Disposed</b>	<b>Original Purchase Price</b>	<b>Proceeds</b>	<b>Interest Income</b>
TFCB	Government bonds with repurchase rights	<u>\$ 386,013</u>	<u>\$ 386,049</u>	<u>\$ 36</u>

For the Year Ended December 31, 2018

<b>Related Party</b>	<b>Target Disposed</b>	<b>Original Purchase Price</b>	<b>Proceeds</b>	<b>Interest Income</b>
TFCB	Government bonds with repurchase rights	<u>\$ 1,524,116</u>	<u>\$ 1,524,181</u>	<u>\$ 65</u>

8) Financial assets at FVTPL - current

For the Year Ended December 31, 2019

<b>Related Party</b>	<b>Target Disposed</b>	<b>Purchase Price</b>	<b>Proceeds</b>
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 year ended December 31, 2019.

For the Year Ended December 31, 2018

<b>Related Party</b>	<b>Target Disposed</b>	<b>Purchase Price</b>	<b>Proceeds</b>
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 year ended December 31, 2018.

9) Equity purchase transaction

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

10) Others

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Guarantee deposits		
Other related parties	\$ 54,256	\$ 51,548
Other current liabilities - receipts under custody		
Other related parties	\$ 123,993	\$ 69,057
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating expenses		
Other related parties		
TMF	\$ 13,100	\$ 14,420
TNHF	5,000	5,000
Fubon Life	13,110	155,416
TFCB	247,114	250,111
Others	161,402	175,022
	\$ 439,726	\$ 599,969
Other income		
Other related parties	\$ 15,734	\$ 2,520

11) Lease arrangements

Acquisition of right-of-use assets

**For the Year  
Ended  
December 31,  
2019**

Other related parties \$ 92,694

Lease liabilities (including current and non-current portions)

**December 31,  
2019**

Other related parties \$ 611,736

Sublease arrangements under finance leases

For the year ended December 31, 2019, the Group subleased right-of-use assets to other related parties under finance leases. As of December 31, 2019, the balance of finance lease receivables was \$380 thousand, and the Group recognized \$58 thousand as income from the subleasing of right-of-use assets.

Interest expenses

	<b>For the Year Ended December 31, 2019</b>
Associates	\$ 61
Other related parties	<u>6,251</u>
	<u>\$ 6,312</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:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 292,411	\$ 300,741
Termination and post-employment benefits	<u>18,528</u>	<u>9,583</u>
	<u>\$ 310,939</u>	<u>\$ 310,324</u>

**31. ASSETS PLEDGED**

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Other current financial assets	\$ 165,201	\$ 160,033
Services concessions	6,970,053	7,148,773
Other non-current financial assets	<u>271,653</u>	<u>131,110</u>
	<u>\$ 7,406,907</u>	<u>\$ 7,439,916</u>

**32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

a. Unrecognized commitments

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Purchases of property, plant and equipment	<u>\$ 3,670,907</u>	<u>\$ 806,935</u>
Purchases of cellular phones	<u>\$ 2,268,710</u>	<u>\$ 1,872,470</u>

As of December 31, 2019, the amount of lease commitments commencing after the balance sheet date was \$629,272 thousand.

- b. As of December 31, 2019 and 2018, the amounts of endorsements and guarantees provided to group entities were both \$21,550,000 thousand.
- c. In accordance with the NCC's policy and regulations, TWM entered into a contract with First Commercial Bank Co., Ltd., which provided a performance guarantee for advance receipts from prepaid cards and electronic gift certificates, totaling \$490,027 thousand and \$15,405 thousand, respectively, as of December 31, 2019.

In accordance with the NCC's policy and regulations, cable television companies should provide performance bonds based on a certain proportion of the advance receipts from their subscribers. As of December 31, 2019, the cable television companies had provided \$78,405 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 \$113,250 thousand and \$61,401 thousand, respectively, as of December 31, 2019.

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

- 1) Construction and operating period:

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

- 2) Development concession:

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

- 3) Performance guarantee:

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

- 4) Rental of land:

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

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

- e. In 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 acquired the 60MHz in the 3500MHz frequency band of 5G in the quantity-based bidding in January 2020, and the winning bid amounted to \$30,450,000 thousand. TWM also submitted the winning bid for spectrum position in February 2020, with the winning bid amounting to \$0. The total winning bids were \$30,450,000 thousand. TWM acquired the 200MHz in the 28000MHz frequency band in January 2020 with the winning bid amounting to \$206,000 thousand, and negotiated and agreed with other bidders for the spectrum position in February 2020.
- b. In January 2020, the Board of Directors resolved that TWM would issue unsecured straight corporate bonds with a total amount no more than \$20,000,000 thousand.
- c. TWM acquired 5% equity interest of Line Bank, and the preparatory office of Line Bank has been granted a permit to establish an internet-only banking business by FSC on July 30, 2019. TWM has prepaid \$100,000 thousand and \$400,000 thousand for the proposed investments in January 2019 and February 2020, respectively. Line Bank is currently in the progress for setup registration and a banking business license application.
- d. In January 2020, the Board of Directors of TFN, one of TWM’s subsidiaries, resolved that TFN would dispose of 90,212 thousand shares of common stock of Taiwan High Speed Rail Corporation at selling prices no less than \$36 per share in batches.
- e. In January 2020, the Board of Directors of momo, one of TWM’s subsidiaries, resolved that momo would set up a 100%-owned subsidiary, which will mainly engage in trucking business, with an investment amount capped at \$250,000 thousand.

### 34. OTHERS

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

	For the Year Ended December 31					
	2019			2018		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 2,265,080	\$ 4,672,180	\$ 6,937,260	\$ 2,174,076	\$ 4,469,891	\$ 6,643,967
Insurance expenses	189,966	411,739	601,705	176,526	390,191	566,717
Pension	102,099	209,627	311,726	97,721	207,550	305,271
Others	107,486	256,185	363,671	106,350	266,152	372,502
Depreciation	11,750,782	1,004,958	12,755,740	9,564,028	340,051	9,904,079
Amortization	3,036,555	2,887,293	5,923,848	3,223,551	3,827,582	7,051,133

#### 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 made by applying the rates to the aforementioned profit before income tax, for the years ended December 31, 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 2019 and 2018 shown below were approved by the Board of Directors on February 21, 2020 and January 31, 2019, respectively. The differences with the amounts recognized in the consolidated financial statements have been adjusted in 2020 and 2019, respectively.

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

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 Year Ended December 31, 2019	Telecommuni- cations	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$ 67,384,770	\$ 51,830,417	\$ 6,089,688	\$ 598,050	\$ (1,482,012)	\$ 124,420,913
Operating costs	42,561,416	46,745,781	3,237,440	345,741	(1,278,200)	91,612,178
Operating expenses	12,067,423	3,458,294	770,045	58,989	(239,584)	16,115,167
Net other income and expenses	501,358	29,287	10,188	2,709	(43,775)	499,767
Profit	13,257,289	1,655,629	2,092,391	196,029	(8,003)	17,193,335
EBITDA (Note)	27,618,141	2,328,619	3,079,032	408,399	(45,265)	33,388,926

For the Year Ended December 31, 2018	Telecommuni- cations	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$ 70,030,527	\$ 42,017,012	\$ 6,344,906	\$ 587,091	\$ (247,208)	\$ 118,732,328
Operating costs	42,760,166	37,756,772	3,585,937	344,015	(131,156)	84,315,734
Operating expenses	13,340,946	2,852,538	830,384	58,967	(197,338)	16,885,497
Net other income and expenses	657,267	14,716	775	-	(41,813)	630,945
Profit	14,586,682	1,422,418	1,929,360	184,109	39,473	18,162,042
EBITDA (Note)	26,191,754	1,743,000	3,187,542	396,504	204,338	31,723,138

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.

#### a. 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:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Taiwan, ROC	\$ 121,142,887	\$ 115,690,423
Overseas	<u>3,278,026</u>	<u>3,041,905</u>
	<u>\$ 124,420,913</u>	<u>\$ 118,732,328</u>

#### b. Information on major customers

The Group does not have revenues from a single customer that exceeds 10% of the consolidated operating revenues.

**TABLE 1**

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

**FINANCING EXTENDED TO OTHER PARTIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits	Note
													Item	Value			
1	TCC	TWM TFC	Other receivables	Yes	\$ 400,000	\$ 400,000	\$ 59,000	1.09422%-1.09511%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 36,513,649	\$ 36,513,649	Note 2
			Other receivables	Yes	700,000	700,000	252,000	1.39378%	Short-term financing	-	Operation requirements	-	-	-	36,513,649	36,513,649	Note 2
2	WMT	TWM TKT TFNM WTVB	Other receivables	Yes	3,500,000	3,500,000	2,876,000	1.09367%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	8,295,952	8,295,952	Note 2
			Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,295,952	8,295,952	Note 2
			Other receivables	Yes	3,000,000	2,770,000	1,070,000	1.09378%-1.09489%	Short-term financing	-	Operation requirements	-	-	-	8,295,952	8,295,952	Note 2
			Other receivables	Yes	600,000	600,000	330,000	1.09367%-1.09522%	Short-term financing	-	Operation requirements	-	-	-	8,295,952	8,295,952	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	-	-	-	23,762,059	23,762,059	Note 2
			Other receivables	Yes	700,000	700,000	-	-	Short-term financing	-	Operation requirements	-	-	-	23,762,059	23,762,059	Note 2
4	YJCTV	TFNM	Other receivables	Yes	140,000	100,000	100,000	1.09378%-1.09456%	Transactions	462,023	-	-	-	-	462,023	462,023	Notes 3 and 4
5	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	1.09378%-1.09456%	Transactions	538,216	-	-	-	-	538,216	538,216	Notes 3 and 4
6	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	1.09378%-1.09456%	Short-term financing	-	Repayment of financing	-	-	-	286,680	286,680	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.

TABLE 2

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES

FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

No.	Company Providing Endorsements/ Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts (Note 1)	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor (Note 1)	Maximum Endorsements/ Guarantees Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	TWM	TFN TKT	Note 2 Note 2	\$ 42,000,000 313,800	\$ 21,500,000 50,000	\$ 21,500,000 50,000	\$ 8,451,300 50,000	\$ - -	31.61 0.07	\$ 68,017,291 68,017,291	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.

TABLE 3

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 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	\$ 239,086	0.028	\$ 239,086	Note 1
	Asia Pacific Telecom Co., Ltd.	-	Non-current financial assets at FVTOCI	148,255	1,116,360	2.55	1,116,360	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at FVTOCI	800	29,789	10	29,789	
	<u>Limited Partnerships</u>							
	Grand Academy Investment, L.P.	-	Non-current financial assets at FVTOCI	-	367,115	21.67	367,115	Note 2
TCC	Starview Heights Investment, L.P.	-	Non-current financial assets at FVTOCI	-	94,953	21.67	94,953	Note 2
WMT	<u>Stock</u>							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at FVTOCI	6,998	85,867	5.21	85,867	
TFN	<u>Limited Partnerships</u>							
	The Last Thieves, L.P.	-	Current financial assets at FVTPL	-	149	7.14	149	Note 2
TCCI	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	200,497	22,455,637	5.71	22,455,637	
TUI	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at FVTOCI	10,000	38,064	6.67	38,064	
TID	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	410,665	45,994,512	11.7	45,994,512	
TFNM	<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	December 31, 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	\$ 7,407	2.04	\$ 7,407	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at FVTOCI	2,400	49,584	7.73	49,584	

Note 1: Asia Pacific Telecom Co., Ltd. had completed the corporate amendment registration on December 9, 2019, and the record date of capital reduction and replacement issue of stock was set at January 17, 2020.

Note 2: Percentage of ownership is the percentage of capital contribution.

Note 3: For the information on investments in subsidiaries and associates, see Table 7 and Table 9 for details.

(Concluded)

TABLE 4

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 YEAR ENDED DECEMBER 31, 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	momo 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

**TABLE 5**

**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 YEAR ENDED DECEMBER 31, 2019**

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount (Note 1)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
TWM	TFN	Subsidiary	Sale	\$ 339,163	1	Based on contract terms	-	-	\$ 7,631	-	Note 5 Note 5
			Purchase	4,443,314	(Note 2)	Based on contract terms	-	-	(398,965)	(Note 4)	
	TT&T	Subsidiary	Purchase	1,030,475	(Note 2)	Based on contract terms	-	-	(83,523)	(Note 4)	
			Sale	119,944	-	Based on contract terms	-	-	55,784	1	
	TPIA	Subsidiary	Purchase	270,393	(Note 2)	Based on contract terms	-	-	(59,888)	(Note 4)	
			Sale	1,155,242	2	Based on contract terms	-	-	185,737	3	
	momo	Subsidiary	Purchase	157,676	-	Based on contract terms	-	-	(27,818)	2	
			Sale	148,523	-	Based on contract terms	-	-	22,140	-	
			Purchase	101,859	-	Based on contract terms	-	-	(9,788)	1	
TNH	TWM	Parent	Sale	127,410	21	Based on contract terms	-	-	5,384	39	Note 5 Note 5
TFN	TWM	Ultimate parent	Sale	4,479,607	48	Based on contract terms	-	-	398,965	38	
			Purchase	322,688	(Note 2)	Based on contract terms	-	-	(7,631)	(Note 4)	
	TT&T	Fellow subsidiary	Purchase	106,735	(Note 2)	Based on contract terms	-	-	(8,353)	(Note 4)	
	TFNM	Fellow subsidiary	Sale	149,860	2	Based on contract terms	-	-	24,299	2	
	Fubon Life	Other related party	Sale	137,415	1	Based on contract terms	-	-	12,676	1	
TT&T	TWM	Ultimate parent	Sale	1,030,475	91	Based on contract terms	-	-	83,523	91	
	TFN	Fellow subsidiary	Sale	106,735	9	Based on contract terms	-	-	8,353	9	
TPIA	TWM	Ultimate parent	Purchase	125,905	100	Based on contract terms	-	-	(58,009)	100	
	Fubon Ins.	Other related party	Sale	189,613	90	Based on contract terms	-	-	70,117	88	
TKT	TWM	Ultimate parent	Sale	270,393	91	Based on contract terms	-	-	59,888	99	
TDS	Fubon Ins.	Other related party	Sale	142,603	57	Based on contract terms	-	-	-	-	
TFNM	TFN	Fellow subsidiary	Purchase	149,403	(Note 2)	Based on contract terms	-	-	(24,299)	(Note 4)	
	YJCTV	Subsidiary	Channel leasing fee	424,445	13	Based on contract terms	Note 3	Note 3	-	-	
	PCTV	Subsidiary	Channel leasing fee	496,761	15	Based on contract terms	Note 3	Note 3	-	-	
	UCTV	Subsidiary	Channel leasing fee	220,801	7	Based on contract terms	Note 3	Note 3	-	-	
	GCTV	Subsidiary	Channel leasing fee	189,274	6	Based on contract terms	Note 3	Note 3	-	-	
YJCTV	TFNM	Parent	Royalty for copyright	424,445	54	Based on contract terms	Note 3	Note 3	-	-	
PCTV	TFNM	Parent	Royalty for copyright	496,761	56	Based on contract terms	Note 3	Note 3	-	-	
UCTV	TFNM	Parent	Royalty for copyright	220,801	39	Based on contract terms	Note 3	Note 3	-	-	
GCTV	TFNM	Parent	Royalty for copyright	189,274	56	Based on contract terms	Note 3	Note 3	-	-	
MCTV	Dai-Ka Ltd.	Other related party	Royalty for copyright	157,827	52	Based on contract terms	Note 3	Note 3	(39,457)	85	
momo	TWM	Ultimate parent	Sale	158,773	-	Based on contract terms	-	-	31,807	25	
			Purchase	1,135,778	(Note 2)	Based on contract terms	-	-	(186,683)	(Note 4)	
	TPE	Associate	Purchase	597,651	1	Based on contract terms	-	-	(101,077)	2	

Note 1: The main difference between the amount sold and purchased by TWM and subsidiaries was because TWM and its subsidiaries classified the amount as right-of-use assets and other items.

Note 2: Including operating costs and operating expenses.

Note 3: The companies authorized a related party to deal with the copyright fees for cable television. As the said account item is the only one, there is no comparable transaction.

Note 4: Including accounts payable and other payables.

Note 5: Accounts receivable (payable) was the net amount after being offset.

**TABLE 6**

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

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

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Action Taken		
TWM	momo	Subsidiary	Accounts receivable	\$ 185,737	11.97	\$ -	-	\$ 181,790	\$ -
TCC	TFC	Subsidiary	Other receivables	253,078		-	-	253,078	-
WMT	TWM	Parent	Other receivables	2,881,827		-	-	836	-
	TFNM	Subsidiary	Other receivables	1,071,759		-	-	-	-
	WTVB	Subsidiary	Other receivables	330,715		-	-	71	-
TFN	TWM	Ultimate parent	Accounts receivable	398,965	10.34	-	-	329,261	-
			Other receivables	7,698,384		-	-	338,780	-
YJCTV	TFNM	Parent	Accounts receivable	6,602	5.86	-	-	-	-
			Other receivables	100,176		-	-	-	-
PCTV	TFNM	Parent	Accounts receivable	7,270	5.75	-	-	-	-
			Other receivables	520,036		-	-	-	-
GCTV	TFNM	Parent	Accounts receivable	3,217	5.75	-	-	-	-
			Other receivables	250,002		-	-	-	-



TABLE 7

## 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 YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 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	\$ 20,765,900	\$ 3,531,541	\$ 3,532,343	Note 1
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	20,739,363	2,180,997	2,181,298	Note 1
	TVC	Taiwan	Investment	5,000	-	500	100	4,907	(93)	(93)	
	TNH	Taiwan	Building and operating Songsshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,820,444	89,627	47,990	Note 1
	AppWorks	Taiwan	Venture capital, investment consulting, and management consulting	235,000	-	1,275	51	226,123	(46,806)	(9,328)	
	ADT	Taiwan	Technology development of mobile payment and information processing services	60,000	60,000	6,000	14.4	6,072	3,541	(2,564)	
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	59,406,109	3,318,792	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	101,853	51,681	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	227,662	(25,416)	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	30,675,496	6,023	-	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	105,275	10,742	-	Note 2
	TPIA	Taiwan	Property insurance agent	5,000	5,000	500	100	65,448	58,157	-	Note 2
	TFC	Taiwan	Type II telecommunications business	200,000	5,000	20,000	100	197,410	(1,999)	-	Note 2
WMT	TFNM	Taiwan	Type II telecommunications business	5,210,443	5,210,443	230,921	100	6,695,029	1,594,502	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	16,903	20	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	98,433	4,171	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	313,672	55,984	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,321,432	1,393,781	-	Notes 2 and 5
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	40,421,727	(59)	-	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	8,626,763	(130)	-	Note 2
TFNM	TKT	Taiwan	Digital music service	156,900	129,900	14,700	100	245,322	(7,529)	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	1,770,106	(146,317)	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	647,082	62,321	-	Notes 2 and 6
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,411,505	121,282	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	1,993,914	22,275	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,284,613	63,657	-	Note 2
	kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	136,812	(76,139)	-	Note 2
TKT	M.E.	Taiwan	Livestreaming artists management service, digital media production, and media planning	27,000	-	460	15	25,045	(22,512)	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 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	\$ 15,329	\$ 22,275	\$ -	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	96,965	63,657	-	Note 2
momo	Asian Crown (BVI)	British Virgin Islands	Investment	885,285	885,285	9,735	81.99	40,741	142	-	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	630,252	9,592	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	8,791	(304)	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	10,403	1,275	-	Note 2
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	47,826	8,509	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	404,413	158,565	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	121,933	121,933	24,150	35	119,531	36,316	-	Note 2
	Bebe Poshe	Taiwan	Wholesale of cosmetics	85,000	85,000	8,500	85	62,992	(7,532)	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,132,789	11,594	100	45,274	229	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,132,789	11,594	100	45,274	229	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	630,252	9,592	-	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 December 31, 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)

**TABLE 8**

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

(In Thousands of New Taiwan Dollars)

Number	Company Name	Counter-party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	TWM	TPIA	1	Notes and accounts receivable, net	\$ 55,784	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Notes and accounts receivable, net	185,916	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other receivables	31,619	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Other non-current assets	18,071	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	2,876,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	2%
		TCC	1	Short-term borrowings	59,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Notes and accounts payable	70,865	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TKT	1	Notes and accounts payable	59,614	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Notes and accounts payable	27,818	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other payables	394,247	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Other payables	83,523	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Other payables	17,550	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Lease liabilities - current	35,879	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Lease liabilities - current	113,144	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other current liabilities	32,080	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Other current liabilities	18,291	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Lease liabilities - non-current	34,417	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	TNH	1	Lease liabilities - non-current	\$ 367,981	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Lease liabilities - non-current	34,107	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Lease liabilities - non-current	17,330	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TKT	1	Disposal of plant, property and equipment	14,770	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating revenues	339,163	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Operating revenues	13,378	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIA	1	Operating revenues	119,944	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Operating revenues	1,155,242	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TFN	1	Operating costs	4,412,388	The terms of transaction are determined in accordance with mutual agreements or general business practices	4%
		TKT	1	Operating costs	269,652	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Operating costs	19,329	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Operating costs	70,123	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Operating costs	157,699	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Operating expenses	1,030,475	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		TFN	1	Operating expenses	26,786	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other revenues and expenses, net	36,670	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Finance costs	81,813	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WMT	1	Finance costs	28,923	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
1	TCC	TFC	1	Other receivables	253,078	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	\$ 1,071,759	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
		WTVB	1	Other receivables	330,715	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Other income	13,944	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
3	TFN	TFNM	3	Notes and accounts receivable, net	24,299	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	3	Acquisition of property, plant and equipment	11,490	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFC	3	Operating revenues	70,940	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating revenues	149,860	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	3	Operating revenues	19,520	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	3	Operating expenses	106,735	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
4	momo	FST	1	Other receivables	12,057	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		FGE	1	Operating revenues	37,351	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		Bebe Poshe	1	Operating costs	19,737	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating costs	53,981	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
5	TFNM	PCTV	1	Other receivables	38,448	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Other receivables	36,594	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Other receivables	25,452	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Other receivables	28,462	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		MCTV	1	Other receivables	15,459	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Short-term borrowings	520,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Short-term borrowings	100,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-

(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	GCTV	1	Short-term borrowings	\$ 250,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Notes and accounts payable	17,491	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating revenues	538,601	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating revenues	462,023	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating revenues	220,801	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Operating revenues	206,040	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		MCTV	1	Operating revenues	18,816	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Operating revenues	11,939	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating costs	34,942	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating costs	31,406	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating costs	22,733	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Operating costs	14,650	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Operating costs	66,633	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)

**TABLE 9****TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES****INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars and Foreign Currencies)**

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss) (Note 2)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
					Outflow	Inflow							
TWMC	Mobile application development and design	\$ 90,060 (USD 3,000)	b	\$ 146,254 (USD 4,872)	\$ -	\$ -	\$ 146,254 (USD 4,872)	\$ 1,433	100	\$ 1,433	\$ 77,308	-	
FGE	Wholesaling	333,173 (RMB 77,500)	b	804,040 (USD 14,000) (RMB 89,267)	-	-	804,040 (USD 14,000) (RMB 89,267)	376	76.7	289	30,240	-	
Haobo	Investment	47,289 (RMB 11,000)	b	-	-	-	-	14,261	100	14,261	603,097	-	
GHS	Wholesaling	214,951 (RMB 50,000)	b	-	-	-	-	166,832	20	15,700	560,029	-	

Company	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 3)
TWM and subsidiaries	\$1,600,012 (USD18,872, RMB89,267 and HKD168,539)	\$1,600,012 (USD18,872, RMB89,267 and HKD168,539)	\$44,505,765

Note 1: The investment types are as follows:

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

Note 2: The amounts are based on the audited financial statements.

Note 3: The upper limit on investment in Mainland China is calculated by 60% of the consolidated net worth.

**Taiwan Mobile Co., Ltd.**

**Financial Statements for the  
Years Ended December 31, 2019 and 2018 and  
Independent Auditors' Report**



## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of Taiwan Mobile Co., Ltd. ("TWM"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TWM as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China ("ROC"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of TWM in accordance with The Norm of Professional Ethics for Certified Public Accountant of the ROC, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the 2019 financial statements are as follows:

#### **The Impairment Loss of Property, Plant and Equipment and Intangible Assets (Including Goodwill)**

The description of key audit matter:

The balances of property, plant and equipment and intangible assets (including goodwill) amounted to \$19,711,168 thousand and \$38,300,915 thousand, respectively, as of December 31, 2019. On each balance sheet date, TWM reviews its tangible and intangible assets for indications of impairment, and then TWM estimates the recoverable amount of the assets. If it is not possible to determine the recoverable amount (fair value less costs to sell or value in use) for the individual asset, then TWM will determine the recoverable amount for the asset's cash-generating unit. Because the aforementioned

tangible and intangible assets amounted to \$58,012,083 thousand (41% of total assets) and the calculation for the recoverable amount involved several assumptions and estimations, which directly impact the amount to be recognized as impairment losses, we believe that the review for the impairment of assets is a key audit matter.

Corresponding audit procedures:

By conducting compliance tests, we obtained an understanding of the estimation for asset impairment and of the design and execution for relevant controls. We also performed major audit procedures which are as follows:

1. Obtain the valuation form of asset impairment produced by TWM for each cash-generating unit.
2. Evaluate the appropriateness of the assumptions and sensitivity analyses, including the classification of cash-generating units, forecasts of cash flows, and discount rates, used by the management to assess if there is any asset impairment.

#### Telecommunications and Value-added Services Revenue

The description of key audit matter:

The source of the major operating revenue of TWM is the telecommunications and value-added services revenue, totaling \$43,961,247 thousand for the year ended December 31, 2019. TWM offers more different monthly-fee plans and diversifies the business by innovating value-added services since the telecommunication industry becomes more competitive nowadays. The competitive telecommunication industry and complicated calculations for revenue recognition, which highly relies on automatic and systematic connection and implementation, lead the telecommunications and value-added service revenue to be considered as one of the key audit matters.

Corresponding audit procedures:

By conducting compliance tests, we obtained an understanding of the revenue recognition process and of the design and execution for relevant controls. We also performed major audit procedures which are as follows:

1. Review the contracts of mobile subscribers to ensure the accuracy of information in the accounting system.
2. Perform dialing tests to verify the completeness of the information in the telephone exchange system.
3. Perform system integration tests from telephone-exchange to telephone traffic.
4. Test for the accuracy of call record charge rates and billing calculations.
5. Verify the accuracy of the billing amounts generated from monthly rentals as well as airtime accounting systems and the transfer to the accounting information system.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing TWM's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate TWM or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing TWM's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the ROC will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the ROC, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TWM's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists and is related to events or conditions that may cast significant doubt on TWM's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause TWM to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within TWM to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 21, 2020

#### Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the ROC and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the ROC.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in 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 independent auditors' report and financial statements shall prevail.*

# TAIWAN MOBILE CO., LTD.

## BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 28)	\$ 1,272,740	1	\$ 1,419,168	1
Financial assets at fair value through other comprehensive income (Note 7)	239,086	-	245,607	-
Contract assets (Note 21)	4,827,361	4	5,460,190	4
Notes and accounts receivable, net (Note 8)	6,105,549	4	6,062,929	4
Accounts receivable due from related parties (Note 28)	285,763	-	136,698	-
Other receivables (Note 28)	624,367	1	1,082,521	1
Inventories (Note 9)	3,257,280	2	2,311,480	2
Prepayments	147,341	-	216,712	-
Other financial assets (Notes 28 and 29)	20,893	-	9,409	-
Other current assets	<u>55,358</u>	<u>-</u>	<u>794,125</u>	<u>1</u>
Total current assets	<u>16,835,738</u>	<u>12</u>	<u>17,738,839</u>	<u>13</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Note 7)	1,608,217	1	1,826,732	1
Contract assets (Note 21)	3,458,120	3	3,200,610	3
Investments accounted for using equity method (Notes 10 and 28)	43,562,809	31	41,964,789	31
Property, plant and equipment (Notes 11 and 28)	19,711,168	14	22,249,874	17
Right-of-use assets (Notes 12 and 28)	8,278,391	6	-	-
Investment properties (Note 13)	3,135,409	2	3,151,320	2
Concessions (Note 14)	30,739,448	22	33,380,101	25
Goodwill (Note 14)	7,121,871	5	7,121,871	5
Other intangible assets (Note 14)	439,596	-	551,100	-
Deferred tax assets (Note 23)	618,759	1	567,543	1
Incremental costs of obtaining a contract (Note 21)	2,039,338	2	2,884,482	2
Other non-current assets (Notes 15, 28 and 29)	<u>1,557,482</u>	<u>1</u>	<u>425,939</u>	<u>-</u>
Total non-current assets	<u>122,270,608</u>	<u>88</u>	<u>117,324,361</u>	<u>87</u>
TOTAL	<u>\$ 139,106,346</u>	<u>100</u>	<u>\$ 135,063,200</u>	<u>100</u>

LIABILITIES AND EQUITY	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 28)	\$ 25,135,000	18	\$ 19,288,000	14
Short-term notes and bills payable (Note 16)	1,898,111	1	1,498,992	1
Contract liabilities (Note 21)	1,041,382	1	1,152,331	1
Accounts payable	1,562,918	1	1,120,379	1
Accounts payable due to related parties (Note 28)	172,003	-	224,981	-
Other payables (Note 28)	6,655,590	5	7,573,224	6
Current tax liabilities	679,240	1	1,684,319	1
Provisions (Note 18)	64,020	-	91,836	-
Lease liabilities (Notes 12, 25 and 28)	3,060,243	2	-	-
Advance receipts	72,965	-	85,455	-
Long-term liabilities, current portion (Notes 16 and 17)	-	-	6,499,680	5
Other current liabilities (Note 28)	<u>1,668,244</u>	<u>1</u>	<u>1,623,249</u>	<u>1</u>
Total current liabilities	<u>42,009,716</u>	<u>30</u>	<u>40,842,446</u>	<u>30</u>
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss	-	-	1,861	-
Bonds payable (Note 17)	15,903,436	11	24,419,137	18
Long-term borrowings (Note 16)	6,000,000	4	6,000,000	4
Provisions (Note 18)	712,431	1	719,116	1
Deferred tax liabilities (Note 23)	623,651	1	569,469	1
Lease liabilities (Notes 12, 25 and 28)	5,195,924	4	-	-
Net defined benefit liabilities (Note 19)	307,606	-	282,163	-
Guarantee deposits	<u>336,291</u>	<u>-</u>	<u>347,488</u>	<u>-</u>
Total non-current liabilities	<u>29,079,339</u>	<u>21</u>	<u>32,339,234</u>	<u>24</u>
Total liabilities	<u>71,089,055</u>	<u>51</u>	<u>73,181,680</u>	<u>54</u>
EQUITY (Note 20)				
Common stock	34,959,441	25	34,208,519	26
Capital collected in advance	134,104	-	29,819	-
Capital surplus	20,274,694	15	12,580,692	9
Retained earnings				
Legal reserve	28,922,281	21	27,558,064	20
Special reserve	95,381	-	362,703	-
Unappropriated earnings	12,909,829	9	16,954,448	13
Other equity interests	438,905	-	(95,381)	-
Treasury stock	<u>(29,717,344)</u>	<u>(21)</u>	<u>(29,717,344)</u>	<u>(22)</u>
Total equity	<u>68,017,291</u>	<u>49</u>	<u>61,881,520</u>	<u>46</u>
TOTAL	<u>\$ 139,106,346</u>	<u>100</u>	<u>\$ 135,063,200</u>	<u>100</u>

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

# TAIWAN MOBILE CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 21 and 28)	\$ 62,426,270	100	\$ 65,545,627	100
OPERATING COSTS (Notes 9, 28 and 32)	<u>42,140,467</u>	<u>67</u>	<u>43,017,205</u>	<u>66</u>
GROSS PROFIT FROM OPERATIONS	20,285,803	33	22,528,422	34
UNREALIZED GAIN ON SALES	<u>(509)</u>	<u>-</u>	<u>-</u>	<u>-</u>
GROSS PROFIT FROM OPERATIONS, NET	<u>20,285,294</u>	<u>33</u>	<u>22,528,422</u>	<u>34</u>
OPERATING EXPENSES (Notes 28 and 32)				
Marketing	8,105,643	13	9,271,668	14
Administrative	2,976,127	5	3,023,042	5
Expected credit loss	<u>233,546</u>	<u>-</u>	<u>404,943</u>	<u>-</u>
Total operating expenses	<u>11,315,316</u>	<u>18</u>	<u>12,699,653</u>	<u>19</u>
OTHER INCOME AND EXPENSES, NET	<u>228,865</u>	<u>-</u>	<u>636,938</u>	<u>1</u>
OPERATING INCOME	<u>9,198,843</u>	<u>15</u>	<u>10,465,707</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 22 and 28)	76,062	-	82,033	-
Other gains and losses, net (Note 22)	(296,273)	-	(120,385)	-
Finance costs (Notes 22 and 28)	(565,793)	(1)	(597,351)	(1)
Share of profit of subsidiaries and associates accounted for using equity method	<u>5,749,646</u>	<u>9</u>	<u>5,707,059</u>	<u>9</u>
Total non-operating income and expenses	<u>4,963,642</u>	<u>8</u>	<u>5,071,356</u>	<u>8</u>
PROFIT BEFORE TAX	14,162,485	23	15,537,063	24
INCOME TAX EXPENSE (Note 23)	<u>1,681,318</u>	<u>3</u>	<u>1,894,891</u>	<u>3</u>
NET PROFIT	<u>12,481,167</u>	<u>20</u>	<u>13,642,172</u>	<u>21</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 10, 19, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans	(32,904)	-	(55,867)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(162,652)	-	(426,925)	(1)
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	695,893	1	616,587	1
Items that may be reclassified subsequently to profit or loss				
Share of other comprehensive loss of subsidiaries and associates accounted for using equity method	<u>(10,107)</u>	<u>-</u>	<u>(7,899)</u>	<u>-</u>
Other comprehensive income (after tax)	<u>490,230</u>	<u>1</u>	<u>125,896</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 12,971,397</u>	<u>21</u>	<u>\$ 13,768,068</u>	<u>21</u>
EARNINGS PER SHARE (Note 24)				
Basic earnings per share	<u>\$ 4.51</u>		<u>\$ 5.01</u>	
Diluted earnings per share	<u>\$ 4.44</u>		<u>\$ 4.86</u>	

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

**TAIWAN MOBILE CO., LTD.**
**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

	Common Stock	Capital Collected in Advance	Capital Surplus	Retained Earnings			Exchange Differences on Translation	Other Equity Interests		Treasury Stock	Total Equity
				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
Effect of retrospective application	-	-	-	-	-	3,354,181	-	(281,785)	346,204	-	3,418,600
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
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)
Total distribution of earnings	-	-	-	1,419,218	(327,331)	(14,702,293)	-	-	-	-	(13,610,406)
Cash dividends from capital surplus	-	-	(1,633,249)	-	-	-	-	-	-	-	(1,633,249)
Profit for the year ended December 31, 2018	-	-	-	-	-	13,642,172	-	-	-	-	13,642,172
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	(78,832)	(7,899)	212,627	-	-	125,896
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	13,563,340	(7,899)	212,627	-	-	13,768,068
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	1,825	-	(1,825)	-	-	-
Conversion of convertible bonds to common stock	191	29,819	275,614	-	-	-	-	-	-	-	305,624
Changes in percentage of ownership interests in subsidiaries	-	-	(10,347)	-	-	-	-	-	-	-	(10,347)
Changes in equity of associates accounted for using equity method	-	-	8,380	-	-	1,971	-	-	-	-	10,351
Other changes in capital surplus	-	-	1,016	-	-	-	-	-	-	-	1,016
BALANCE, DECEMBER 31, 2018	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
Effect of retrospective application	-	-	-	-	-	32,605	-	-	-	-	32,605
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
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)
Total distribution of earnings	-	-	-	1,364,217	(267,322)	(16,463,118)	-	-	-	-	(15,366,223)
Profit for the year ended December 31, 2019	-	-	-	-	-	12,481,167	-	-	-	-	12,481,167
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	(44,056)	(10,107)	544,393	-	-	490,230
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	12,437,111	(10,107)	544,393	-	-	12,971,397
Conversion of convertible bonds to common stock	750,922	104,285	7,710,366	-	-	-	-	-	-	-	8,565,573
Changes in equity of associates accounted for using equity method	-	-	(17,346)	-	-	(51,217)	-	-	-	-	(68,563)
Other changes in capital surplus	-	-	982	-	-	-	-	-	-	-	982
BALANCE, DECEMBER 31, 2019	<u>\$ 34,959,441</u>	<u>\$ 134,104</u>	<u>\$ 20,274,694</u>	<u>\$ 28,922,281</u>	<u>\$ 95,381</u>	<u>\$ 12,909,829</u>	<u>\$ (34,505)</u>	<u>\$ 473,410</u>	<u>\$ -</u>	<u>\$(29,717,344)</u>	<u>\$ 68,017,291</u>

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

# TAIWAN MOBILE CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 14,162,485	\$ 15,537,063
Adjustments for:		
Share of profit of subsidiaries and associates accounted for using equity method	(5,749,646)	(5,707,059)
Depreciation expense	9,765,832	7,020,629
Amortization expense	3,007,799	3,232,577
Amortization of incremental costs of obtaining a contract	2,417,688	3,340,003
Unrealized gain on sales	509	-
Loss on disposal of property, plant and equipment, net	274,349	95,769
Loss on disposal of intangible assets, net	-	128,002
Expected credit loss	233,546	404,943
Finance costs	565,793	597,351
Interest income	(55,988)	(12,331)
Dividend income	(9,735)	(10,424)
Reversal of impairment loss on property, plant and equipment	-	(99,064)
Reversal of impairment loss on investment properties	-	(4,522)
Valuation gain on financial liabilities at fair value through profit or loss	(1,819)	(8,061)
Others	(622)	17
Changes in operating assets and liabilities		
Contract assets	378,537	1,916,814
Notes and accounts receivable	(263,831)	349,950
Accounts receivable due from related parties	(144,388)	(42,446)
Other receivables	417,749	(137,849)
Inventories	(945,800)	974,858
Prepayments	(33,365)	41,589
Other current assets	738,767	(790,937)
Other financial assets	(11,484)	(9,299)
Incremental costs of obtaining a contract	(1,572,544)	(2,112,684)
Contract liabilities	15,270	(650,363)
Accounts payable	442,539	(2,130,956)
Accounts payable due to related parties	(52,978)	(46,902)
Other payables	(514,729)	(491,066)
Provisions	(40,501)	(110,972)
Advance receipts	(9,895)	22,561
Other current liabilities	(80,950)	(7,774)
Net defined benefit liabilities	(15,687)	(16,358)
Cash inflows generated from operating activities	22,916,901	21,273,059
Interest received	42,440	606
Interest paid	(409)	(390)
Income taxes paid	(2,635,874)	(1,466,643)
Net cash generated from operating activities	20,323,058	19,806,632

(Continued)



# TAIWAN MOBILE CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	\$ (4,425,869)	\$ (5,175,390)
Acquisition of right-of-use assets	(14,635)	-
Acquisition of intangible assets	(129,657)	(202,839)
Increase in prepayments for equipment	(169,632)	(310,256)
Increase in prepayments for investment	(100,000)	-
Acquisition of investments accounted for using equity method	(235,000)	-
Cash outflow on acquisition of subsidiaries	(5,000)	-
Proceeds from disposal of property, plant and equipment	60,098	33,744
Increase in refundable deposits	(1,099,187)	(108,010)
Decrease in refundable deposits	101,122	121,201
Increase in other financial assets	(480)	-
Decrease in other financial assets	720	2,448,000
Interest received	9,792	12,929
Dividend received	<u>5,040,733</u>	<u>5,172,812</u>
Net cash generated from (used in) investing activities	<u>(966,995)</u>	<u>1,992,191</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	5,300,000	(300,000)
Borrowings from related parties	12,797,000	13,265,000
Repayments of borrowings from related parties	(12,250,000)	(11,107,000)
Increase (decrease) in short-term notes and bills payable	399,285	(4,096,683)
Proceeds from issue of bonds	-	14,984,564
Repayments of bonds payable	(4,500,000)	(7,400,000)
Repayment of long-term borrowings	(2,000,000)	(11,000,000)
Repayment of the principal portion of lease liabilities	(3,354,619)	-
Increase in guarantee deposits received	50,538	59,103
Decrease in guarantee deposits received	(62,174)	(57,044)
Cash dividends paid	(15,366,186)	(15,243,647)
Interest paid	<u>(516,335)</u>	<u>(431,302)</u>
Net cash used in financing activities	<u>(19,502,491)</u>	<u>(21,327,009)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(146,428)	471,814
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,419,168</u>	<u>947,354</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,272,740</u>	<u>\$ 1,419,168</u>

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

(Concluded)

# TAIWAN MOBILE CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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#### 1. ORGANIZATION AND OPERATIONS

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

TWM received a second-generation (“2G”) mobile telecommunications concession operation license issued by the Directorate General of Telecommunications (“DGT”) of the ROC. The license allows TWM to provide services for 15 years from 1997 onwards. The 2G concession license had been renewed by the National Communications Commission (“NCC”) and terminated on June 30, 2017. TWM received a third-generation (“3G”) concession license issued by the DGT in March 2005, and the 3G concession license terminated on December 31, 2018. TWM participated in the fourth-generation (“4G”) mobile spectrum auctions held by NCC for the need of long-term business development and from April 2014 to June 2018 acquired the concession licenses for the mobile broadband spectrum in the 700MHz, 1800MHz and 2100MHz frequency bands separately, and the aforementioned licenses are valid until December 2030 and December 2033, respectively. In February 2020, TWM acquired the fifth-generation (“5G”) concession licenses for the mobile broadband spectrum in the 3500MHz and 28000MHz, and the aforementioned licenses are valid until December 2040.

#### 2. APPROVAL OF THE FINANCIAL STATEMENTS

The Board of Directors approved the financial statements on February 21, 2020.

#### 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 TWM’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

TWM 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 TWM 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.

### TWM as lessee

TWM recognizes right-of-use assets and lease liabilities for all leases on the 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 statements of comprehensive income, TWM 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 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 statements of cash flows.

TWM 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. TWM applies IAS 36 to all right-of-use assets.

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

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 0.9%. 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	\$ 8,187,105
Less: Recognition exemption for short-term leases	(1,019)
Less: Recognition exemption for leases of low-value assets	(60,453)
Less: Adjustment of application scope under IFRS 16	<u>(325,071)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 7,800,562</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 7,695,604
Add: Adjustments as a result of a different treatment of extension	674,886
Add: Adjustment of application scope under IFRS 16	<u>478,894</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 8,849,384</u>

### TWM as lessor

Except for sublease transactions, TWM 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.

TWM subleased its leasehold to a third party. Such sublease was classified as an operating lease under IAS 17. TWM 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 TWM accounts for the sublease as a new finance lease entered into at that date.

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

	<b>Carrying Amount as of December 31, 2018</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2019</b>
<u>Current assets</u>			
Notes and accounts payable, net (including related parties)	\$ 6,199,627	\$ 10,200	\$ 6,209,827
Other receivables	1,082,521	(4,038)	1,078,483
Prepayments	216,712	(102,736)	113,976
<u>Non-current assets</u>			
Investments accounted for using equity method	41,964,789	22,658	41,987,447
Right-of-use assets	-	8,950,168	8,950,168
Deferred tax assets	567,543	(2,487)	565,056
Other non-current assets	425,939	<u>(5,726)</u>	420,213
Total effect on assets		<u>\$ 8,868,039</u>	
<u>Current liabilities</u>			
Other payables	7,573,224	\$ (12,369)	7,560,855
Lease liabilities	-	3,019,768	3,019,768
Advanced receipts	85,455	(1,581)	83,874
<u>Non-current liabilities</u>			
Lease liabilities	-	<u>5,829,616</u>	5,829,616
Total effect on liabilities		<u>\$ 8,835,434</u>	
<u>Equity</u>			
Unappropriated earnings	16,954,448	<u>\$ 32,605</u>	16,987,053
Total effect on equity		<u>\$ 32,605</u>	

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: TWM 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: TWM shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

As of the date the financial statements were authorized for issue, TWM is continuously assessing the possible impact that the application of other standards and interpretations will have on TWM’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.

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

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

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

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## **Basis of Preparation**

### **a. Basis of measurement**

The financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

When preparing the parent company only financial statements, TWM accounts for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to owners of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

### **b. Functional and presentation currency**

The functional currency of each individual entity is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan dollars (NTD), which is TWM's functional currency.

## **Foreign Currency**

Foreign currency transactions are recorded at the spot exchange rate on the date of the transaction. At the end of the reporting period, foreign currency monetary items are reported using the closing rate. Exchange differences in the period on monetary items arising from settlement or translation are recognized in profit or loss in the period which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

When preparing financial statements, the assets and liabilities of foreign operations are translated to NTD using the exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated at the average exchange rate for the period. Exchange differences are recognized in other comprehensive income.

## **Classification of Current and Non-current Assets and Liabilities**

TWM classifies an asset as current when any one of the following requirements is met. Assets that are not classified as current are non-current assets.

- a. It holds the asset primarily for the purpose of trading;
- b. It expects to realize the asset within twelve months after the reporting period; or
- c. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

TWM classifies a liability as current when any one of the following requirements is met. Liabilities that are not classified as current are non-current liabilities.

- a. It holds the liability primarily for the purpose of trading;
- b. The liability is due to be settled within twelve months after the reporting period; or
- c. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

## **Financial Instruments**

Financial assets and financial liabilities are recognized in balance sheets when TWM becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

### **a. Financial assets**

TWM adopts trade-date accounting to recognize and derecognize financial assets.

#### **1) Measurement category**

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at FVTOCI.

##### **a) Financial assets at amortized cost**

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets and refundable deposits are measured at amortized cost, which equal to gross carrying amount determined by the effective interest method less any impairment loss, except for short-term receivables when the recognition of interest is immaterial. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments. If they do not meet the above definition, time deposits should be recognized as other current or non-current financial assets.

b) Investments in equity instruments at FVTOCI

On initial recognition, TWM may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when TWM's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets and contract assets

TWM recognizes a loss allowance for expected credit losses ("ECL") on financial assets at amortized cost (including receivables) and contract assets.

The loss allowances for receivables and contract assets are measured at an amount equal to lifetime ECL. For other financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to 12-month ECL. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to lifetime ECL.

ECLs reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, TWM determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by TWM):

- 1) Internal or external information shows that the debtor is unlikely to pay its creditors.
- 2) Failure to meet the obligation associated with liabilities within the credit terms.

TWM recognizes an impairment loss in profit or loss for aforementioned financial instruments and contract assets with a corresponding adjustment to their carrying amount through a loss allowance account.

3) Derecognition of financial assets

TWM derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when TWM transfers substantially all the risks and rewards of ownership of the financial assets.



On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of investments in equity instruments at FVTOCI, the cumulative gain or loss is directly transferred to retained earnings, and it is not reclassified to profit or loss.

b. Equity instruments

Equity instruments issued by TWM are recognized at the proceeds received, net of direct issue costs.

The repurchase of the company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

c. Financial liabilities

1) Recognition

Except for the financial liabilities measured at FVTPL, all financial liabilities, including loans and borrowings, short-term notes and bills payable, bonds payable, notes and accounts payable, other payables, guarantee deposits received, etc., are measured at amortized cost calculated using the effective interest method.

2) Convertible bonds

The component parts of compound financial instruments (convertible bonds) issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated at the prevailing market interest rate for similar non-convertible instruments. The amount is recognized as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be reclassified as capital surplus - additional paid-in capital. If the conversion option remains unexercised at maturity, the balance recognized in equity will be reclassified as capital surplus - others.

Transaction costs that relate to the issuance of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

3) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

#### d. Derivative financial instruments

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

#### **Inventories**

Inventories are measured at the lower of cost or net realizable value. Inventories are assessed item by item, except those with similar characteristics which are assessed collectively. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling expenses. The weighted-average method is used in the calculation of cost.

#### **Non-current Assets Held for Sale**

The book value of non-current assets classified as held for sale is expected to be recovered primarily through sale. Being classified as held for sale, the assets should be available for immediate sale. Being available for immediate sale means the management is committed to a planned sale and the sale is highly probable within 12 months.

Assets classified as non-current assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell, and should not be depreciated.

#### **Investment in Associates**

An associate is an entity in which TWM has significant influence, but is neither a subsidiary nor an interest in a joint venture. TWM applies the equity method to account for its investments in associates.

Investments in associates are accounted for using equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses. Goodwill is not amortized. Any excess of TWM's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, is recognized immediately in profit or loss after reassessment. The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The financial statements include TWM's share of the profit or loss and other comprehensive income (loss) of equity-accounted investees, after adjustments to align their accounting policies with those of TWM, from the date that significant influence commences until the date that significant influence ceases.

When TWM's share of losses of an associate equals or exceeds its interest in that associate, TWM discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that TWM has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

When TWM doesn't subscribe for additional new shares of an associate as its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of TWM's proportionate interest in the associate. TWM records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If TWM's ownership interest is reduced due to its disproportionate subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When TWM loses significant influence over an associate, it recognizes the investment retained in the former associate at its fair value at the date when significant influence is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when significant influence is lost is recognized as a gain or loss in profit or loss. Besides this, TWM accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if TWM had directly disposed of the related assets or liabilities. If TWM decreased the percentage of the ownership of associate due to disposal but still accounts for its investments in associate, it should reclassify the amount previously recognized in other comprehensive income to profit or loss proportionally.

When TWM transacts with its associates, profits and losses resulting from the transactions with the associates are recognized in TWM's financial statements only to the extent that interests in the associates are not related to TWM.

### **Investments in Subsidiaries**

TWM uses the equity method to account for its investments in subsidiaries.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize TWM's share of the profit or loss and other comprehensive income of the subsidiary. TWM also recognizes the changes in TWM's share of equity of subsidiaries. The profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

Changes in TWM's ownership interest in a subsidiary that do not result in TWM losing control of the subsidiary are equity transactions. TWM recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When TWM loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, TWM shall account for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if TWM had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to TWM.

## **Property, Plant and Equipment**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated with a separate depreciation rate or depreciation method.

The depreciable amount of an asset is determined after deducting its residual amount, and the net amount shall be allocated by the straight-line method over its useful life. Each significant item of property, plant and equipment shall be evaluated and depreciated separately if it possesses a different useful life. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated. For the estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment, see Note 11 to the financial statements for details.

Depreciation methods, useful lives, and residual values are reviewed at the end of each reporting period. If expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

Property, plant and equipment are derecognized when disposed of or expected to have no future economic benefits generated through usage or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit and loss.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to TWM and the amount can be reliably measured. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

## **Leases**

### **2019**

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

#### **a. TWM 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 TWM 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 TWM'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, TWM 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. TWM as lessee

TWM 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 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, TWM 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 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.

### **Investment Property**

Investment property is a property held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost on initial recognition. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation methods, useful lives, and residual values are the same as plant, property and equipment.

## **Intangible Assets**

### **a. Goodwill**

Goodwill acquired in a business combination is recognized at the acquisition date, and is measured at cost less accumulated impairment losses.

### **b. Other intangible assets**

Other intangible assets that are acquired through business combinations or are internally developed are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets that are acquired through business combinations are measured at acquisition-date fair value, and recognized along with goodwill.

### **c. Amortization and derecognition of intangible assets**

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date that they are available for use. For the estimated useful lives for the current and comparative periods, see Note 14 to the financial statements for details.

The amortization method, the amortization period, and the residual value for an intangible asset with a finite useful life shall be reviewed at each fiscal year-end. Any changes shall be accounted for as changes in accounting estimates.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

## **Incremental Costs of Obtaining a Contract**

Only when a contract is obtained, sales commissions and subsidies of telecommunication services are recognized as incremental costs of obtaining a contract to the extent the amounts are expected to be recovered, and are amortized on a straight-line basis over the life of the contract. However, TWM elects not to capitalize the incremental costs of obtaining a contract if the amortization period of the assets that TWM otherwise would have recognized is expected to be one year or less.

## **Impairment of Non-financial Assets**

### **a. Goodwill**

Impairment of goodwill is required to be tested annually or more frequently whenever there is an indication that the unit may be impaired. Goodwill shall be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit. If the recoverable amount of the cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

### **b. Other tangible, intangible assets, and incremental costs of obtaining a contract**

At the end of each reporting period, TWM reviews the carrying amounts of those assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, TWM estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## **Provisions**

A provision is recognized if, as a result of a past event, TWM has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

### **a. Restoration**

The restoration costs for property, plant and equipment that were originally acquired or used by TWM for a period of time and had obligations for dismantling, relocating, and restoring to the previous state should be recognized as an addition to the assets and accrued as a potential liability accordingly.

### **b. Warranties**

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on sales contracts, historical warranty data, and a weighing of all possible outcomes against their associated probabilities.

## **Treasury Stock**

Repurchased stocks are recognized under treasury stock (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. TWM's stocks held by its subsidiaries are regarded as treasury stock.

Gains on disposal of treasury stock should be recognized under "capital reserve - treasury stock transactions"; losses on disposal of treasury stock should be offset against existing capital reserves arising from similar types of treasury stock. If there is insufficient capital reserve to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury stock should be calculated using the weighted-average method for the purpose of repurchased stock.

## **Government Grants**

Government grants are not recognized until there is reasonable assurance that TWM will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which TWM recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that TWM should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets; or recognized as a book value deduction of the non-current assets and classified as profit or loss within their useful lives through deducting depreciation expenses of the related non-current assets.

Government grants that are receivable as compensation for expenses or losses already incurred are recognized in profit or loss in the period in which they become receivable.

### **Employee Benefits**

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss in the periods during which services are rendered by employees.

The defined benefit costs (including service cost, net interest, and rereasurement) of defined benefit plan use the projected unit credit method for the actuarial valuation. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized under employee benefit expense as they occur. Remeasurement (including actuarial gains and losses, changes in the effect of the asset ceiling, and the return on plan assets, excluding amounts included in net interest) is recognized in other comprehensive income (loss) in retained earnings as it occurs, and is not reclassified to profit or loss subsequently.

Net defined benefit liability (asset) is the deficit (surplus) of defined benefit plans. IAS 19 requires TWM to limit the carrying amount of a net defined benefit asset so that it does not exceed the economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

A liability for a termination benefit is recognized at the earlier of when TWM can no longer withdraw the offer of the termination benefit and when TWM recognizes any related restructuring costs.

### **Income Tax**

Income tax expense represents the sum of the tax currently payable and deferred tax. Except for expenses related to business combinations, expenses directly recognized in equity or other comprehensive income (loss), and other related expenses, all current and deferred taxes shall be recognized in profit or loss.

#### **a. Current taxes**

Current taxes include tax payables and tax deduction receivables on taxable gains (losses), as well as tax adjustments related to prior years.

An additional surtax on undistributed earnings, computed according to the ROC Income Tax Act, is recognized in current taxes in the year of approval by a stockholders' meeting resolution.

#### **b. Deferred taxes**

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis. Deferred tax assets are generally recognized for all deductible temporary differences, unused tax credits for purchases of machinery, equipment and technology, and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where TWM is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.



Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. The measurement reflects TWM's expectations at the end of the reporting period as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated at the end of each reporting period, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

## **Revenue**

Where TWM enters into transactions which involve both the provision of telecommunications service bundled with products such as handsets, total consideration received from products and telecommunications service in these arrangements is allocated based on their relative stand-alone selling price. The amount of sales revenue recognized for products is not limited to the amount paid by the customer for the products at the time of purchase. When the amount of sales revenue recognized for products exceeds the amount paid by the customer for the products, the difference is recognized as a contract asset. A contract asset is derecognized and an account receivable is recognized when the amount becomes collectible from the customer subsequently. When the amount of sales revenue recognized for products is less than the amount paid by the customer for the products, the difference is recognized as contract liabilities and the revenue is recognized subsequently when the telecommunications service is provided.

The deferred revenue allocated to the customer loyalty program is estimated at fair value and is recognized as revenue when obligations have been fulfilled.

### Telecommunications and value-added services revenue

Service revenues from telecommunications services are billed at predetermined rates and calculated by the actual volume of voice call and data transfer. Revenues from postpaid users are accrued monthly. Revenues from prepaid users are recognized based on the actual usage. The advanced receipts obtained before services are rendered are recognized as contract liabilities and reclassified as revenues when services are rendered. Interconnection and call transfer fees from other telecommunications companies and carriers are billed and recognized based upon seconds or minutes of traffic processed when the services are provided in accordance with contract terms. The usage revenues and corresponding trade notes and accounts receivable are recognized monthly.

### Revenue from sale of goods

Revenues from sale of goods are mainly generated from physical stores and e-commerce platform. Revenues are recognized when the goods are transferred or delivered to the customers. Advance receipts obtained before goods are transferred or delivered are recognized as contract liabilities, and reclassified as revenue when the goods are transferred or delivered.

### Other operating income

TWM recognizes advance receipts obtained before contracts are initiated as contract liabilities, and contract liabilities are transferred into revenue after the completion of usage or over the term of the relevant lease.

Service revenues generated from contractual agreements are recognized as revenue as services are rendered based on the completion of the contracts and TWM does not have any further obligations. In addition, when TWM is acting as an agent in the transaction, proportional revenue is recognized based on the net amount in accordance with the contractual agreements proportionally.

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

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management will continually review the estimates and basic assumptions. The impact of changes in accounting estimates will be recognized in the period of change and the future period impacted.

### Critical Accounting Judgements

#### a. Lease terms - 2019

In determining a lease term, TWM 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 TWM occurs.

### Key Sources of Estimation Uncertainty

#### a. Impairment assessment of tangible and intangible assets (goodwill is excluded)

In the process of impairment assessments, TWM relies on subjective judgment to determine the individual cash flows of a specific group of assets and estimates future gains and losses according to the usage of the assets and relevant business characteristics. Alterations of estimates from any changes in economic conditions or business strategy may lead to significant impairment losses in the future.

#### b. Impairment assessment of goodwill

The usage value of the cash-generating units to which goodwill is allocated should be predetermined when assessing whether the goodwill is impaired. Management estimates the future cash flows from cash-generating units and assigns an appropriate discount rate in calculating the present value. Significant impairment loss may occur if actual cash flows are less than that originally forecasted.

## 6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand and revolving funds	\$ 57,718	\$ 153,869
Cash in banks	1,215,022	1,234,509
Time deposits	-	30,790
	<u>\$ 1,272,740</u>	<u>\$ 1,419,168</u>

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

	December 31	
	2019	2018
<u>Investments in equity instruments - current</u>		
Domestic investments		
Listed stocks	\$ 239,086	\$ 245,607
<u>Investments in equity instruments - non-current</u>		
Domestic investments		
Listed stocks	\$ 1,116,360	\$ 1,022,960
Foreign investments		
Limited partnerships	462,068	775,385
Unlisted stocks	29,789	28,387
	<u>\$ 1,608,217</u>	<u>\$ 1,826,732</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 TWM's strategy of holding these investments for long-term purposes.

## 8. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2019	2018
Notes receivable	\$ 799	\$ 6,400
Accounts receivable	6,439,072	6,512,251
Less: Allowance for impairment loss	<u>(334,322)</u>	<u>(455,722)</u>
	<u>\$ 6,105,549</u>	<u>\$ 6,062,929</u>

The main credit terms range from 30 to 90 days.

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

TWM 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, TWM obtains collateral where necessary to mitigate the risk of loss arising from default. TWM 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 TWM has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure the recoverability of receivables. In addition, TWM 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 TWM's credit risk could be reasonably reduced.

TWM 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 TWM'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.

TWM 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, TWM 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:

December 31, 2019

	Not Past Due	Overdue			Total
		1 to 120 Days	121 to 365 Days	Over 365 Days	
Gross carrying amount	\$ 5,874,641	\$ 381,676	\$ 183,554	\$ -	\$ 6,439,871
Loss allowance (Lifetime ECL)	<u>(49,498)</u>	<u>(110,500)</u>	<u>(174,324)</u>	<u>-</u>	<u>(334,322)</u>
Amortized cost	<u>\$ 5,825,143</u>	<u>\$ 271,176</u>	<u>\$ 9,230</u>	<u>\$ -</u>	<u>\$ 6,105,549</u>

December 31, 2018

	Not Past Due	Overdue			Total
		1 to 120 Days	121 to 365 Days	Over 365 Days	
Gross carrying amount	\$ 5,849,476	\$ 405,234	\$ 258,887	\$ 5,054	\$ 6,518,651
Loss allowance (Lifetime ECL)	<u>(52,287)</u>	<u>(151,659)</u>	<u>(246,722)</u>	<u>(5,054)</u>	<u>(455,722)</u>
Amortized cost	<u>\$ 5,797,189</u>	<u>\$ 253,575</u>	<u>\$ 12,165</u>	<u>\$ -</u>	<u>\$ 6,062,929</u>

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

	Not Past Due and Past Due within 120 Days	Past Due Over 120 Days
Telecommunications service	0.85%-85%	89.47%-100%

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

	For the Year Ended December 31	
	2019	2018
Beginning balance	\$ 455,722	462,692
Add: Provision	235,964	421,236
Recovery	42,061	11,882
Less: Write-off	<u>(399,425)</u>	<u>(440,088)</u>
Ending balance	<u>\$ 334,322</u>	<u>\$ 455,722</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Amount of accounts receivable sold	<u>\$ 582,455</u>	<u>\$ 619,249</u>
Proceeds of the sale of accounts receivable	<u>\$ 35,348</u>	<u>\$ 37,506</u>

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Merchandise	\$ 3,249,858	\$ 2,302,693
Materials for maintenance	<u>7,422</u>	<u>8,787</u>
	<u>\$ 3,257,280</u>	<u>\$ 2,311,480</u>

For the years ended December 31, 2019 and 2018, the cost of goods sold related to inventories amounted to \$19,123,309 thousand and \$17,451,073 thousand, respectively, which included the reversal of inventory write-down totaling \$13,692 thousand, and inventory write-down, totaling \$20,690 thousand, respectively.

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries	\$ 43,330,614	\$ 41,956,153
Associates		
Alliance Digital Tech Co., Ltd. (ADT)	6,072	8,636
AppWorks Ventures Co., Ltd. (AppWorks)	<u>226,123</u>	<u>-</u>
	<u>\$ 43,562,809</u>	<u>\$ 41,964,789</u>

### a. Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2019.

### b. Associates

Aggregate information of associates that were not individually material:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
TWM's share of:		
Loss	\$ (11,892)	\$ (5,815)
Other comprehensive income	<u>451</u>	<u>-</u>
Comprehensive loss	<u>\$ (11,441)</u>	<u>\$ (5,815)</u>

## 1) ADT

In November 2013, TWM acquired 19.23% equity interest 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 December 31, 2019, ADT was still under liquidation procedures.

## 2) AppWorks

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

# 11. 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	\$ 3,192,095	\$ 2,023,777	\$ 68,229,717	\$ 5,096,270	\$ 610,043	\$ 79,151,902
Additions	-	-	2,314	167,814	3,926,524	4,096,652
Reclassification	(3,109)	(4,841)	3,946,223	8,131	(3,954,353)	(7,949)
Disposals and retirements	(25,278)	(29,008)	(2,565,740)	(147,861)	(87)	(2,767,974)
Balance, December 31, 2019	<u>\$ 3,163,708</u>	<u>\$ 1,989,928</u>	<u>\$ 69,612,514</u>	<u>\$ 5,124,354</u>	<u>\$ 582,127</u>	<u>\$ 80,472,631</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2019	\$ 1,662	\$ 876,250	\$ 51,994,050	\$ 4,030,066	\$ -	\$ 56,902,028
Depreciation	-	36,654	5,917,389	340,792	-	6,294,835
Reclassification	-	(1,873)	-	-	-	(1,873)
Disposals and retirements	(1,662)	(10,920)	(2,275,246)	(145,699)	-	(2,433,527)
Balance, December 31, 2019	<u>\$ -</u>	<u>\$ 900,111</u>	<u>\$ 55,636,193</u>	<u>\$ 4,225,159</u>	<u>\$ -</u>	<u>\$ 60,761,463</u>
Carrying amount, December 31, 2019	<u>\$ 3,163,708</u>	<u>\$ 1,089,817</u>	<u>\$ 13,976,321</u>	<u>\$ 899,195</u>	<u>\$ 582,127</u>	<u>\$ 19,711,168</u>
<u>Cost</u>						
Balance, January 1, 2018	\$ 3,209,754	\$ 2,018,658	\$ 66,497,117	\$ 5,070,819	\$ 734,225	\$ 77,530,573
Additions	71	33	21,256	275,838	4,796,553	5,093,751
Reclassification	(12,958)	7,971	4,887,733	36,078	(4,919,710)	(886)
Disposals and retirements	(4,772)	(2,885)	(3,176,389)	(286,465)	(1,025)	(3,471,536)
Balance, December 31, 2018	<u>\$ 3,192,095</u>	<u>\$ 2,023,777</u>	<u>\$ 68,229,717</u>	<u>\$ 5,096,270</u>	<u>\$ 610,043</u>	<u>\$ 79,151,902</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2018	\$ 67,281	\$ 865,414	\$ 48,460,290	\$ 3,943,923	\$ -	\$ 53,336,908
Depreciation	-	36,001	6,599,979	363,702	-	6,999,682
Reversal of impairment loss	(78,160)	(20,904)	-	-	-	(99,064)
Reclassification	12,541	(3,166)	-	-	-	9,375
Disposals and retirements	-	(1,095)	(3,066,219)	(277,559)	-	(3,344,873)
Balance, December 31, 2018	<u>\$ 1,662</u>	<u>\$ 876,250</u>	<u>\$ 51,994,050</u>	<u>\$ 4,030,066</u>	<u>\$ -</u>	<u>\$ 56,902,028</u>
Carrying amount, December 31, 2018	<u>\$ 3,190,433</u>	<u>\$ 1,147,527</u>	<u>\$ 16,235,667</u>	<u>\$ 1,066,204</u>	<u>\$ 610,043</u>	<u>\$ 22,249,874</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	50-55 years
Mechanical and electrical equipment	15 years
Telecommunications equipment and machinery	2-15 years
Others	2-20 years

- b. The fair values of parts of TWM's properties (land and buildings) were measured using Level 3 inputs, arising from income approach and comparative approach adopted 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 year ended December 31, 2018, the reversal of impairment loss of \$99,064 thousand was included in other gains and losses in the statement of comprehensive income.

## 12. LEASE ARRANGEMENTS

- a. Right-of-use assets - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Land	\$ 555,175
Buildings	7,162,331
Telecommunications equipment and machinery	420,363
Others	<u>140,522</u>
	<u><b>\$ 8,278,391</b></u>
	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use assets	<u><b>\$ 2,980,837</b></u>
Depreciation charge for right-of-use assets	
Land	\$ 228,588
Buildings	3,092,182
Telecommunications equipment and machinery	82,904
Others	<u>45,336</u>
	<u><b>\$ 3,449,010</b></u>

b. Lease liabilities - 2019

**December 31,  
2019**

Carrying amounts

Current	<u>\$ 3,060,243</u>
Non-current	<u>\$ 5,195,924</u>

Range of discount rate for lease liabilities was as follows:

**December 31,  
2019**

Land	0.78%-1%
Buildings	0.78%-1%
Telecommunications equipment and machinery	1%
Others	0.78%-0.86%

c. Material lease-in activities and terms

TWM 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. TWM does not have bargain purchase options to acquire the leasehold assets at the end of the lease terms. In addition, TWM is prohibited from subleasing all or any portion of the underlying assets without the lessors' consents. TWM 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 TWM's investment properties, under operating lease arrangements are set out in Note 13.

2019

**For the Year  
Ended  
December 31,  
2019**

Expenses related to short-term leases	<u>\$ 12,154</u>
Expenses related to low-value asset leases	<u>\$ 59,235</u>
Expenses related to variable lease payments and not included in the measurement of lease liabilities	<u>\$ 5,607</u>
Total cash outflow for leases	<u>\$ (3,521,686)</u>

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



## 2018

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

	<b>December 31, 2018</b>
Less than one year	\$ 3,045,816
Between one and five years	5,126,162
More than five years	<u>15,127</u>
	<u><b>\$ 8,187,105</b></u>

TWM 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:

	<b>For the Year Ended December 31, 2018</b>
Minimum lease payments	\$ 3,566,474
Receipts from subleases	<u>(10,339)</u>
	<u><b>\$ 3,556,135</b></u>

## **13. INVESTMENT PROPERTIES**

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

The fair values of investment properties were measured using Level 3 inputs, arising from income approach, comparative approach, and cost approach by a third party real estate appraiser, HomeBan Appraisers Joint Firm. As of December 31, 2019 and 2018, the fair values of investment properties were \$7,368,734 thousand and \$7,351,306 thousand, respectively, and the capitalization rates for the years were both ranging from 1.18%-4.42%. 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 year ended December 31, 2018, the reversal of impairment loss of \$4,522 thousand was included in other gains and losses in the statement of comprehensive income.

The amount of depreciation recognized for the years ended December 31, 2019 and 2018 were \$21,987 thousand and \$20,947 thousand, respectively.

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

	<b>December 31, 2019</b>
Year 1	\$ 170,166
Year 2	146,297
Year 3	135,155
Year 4	82,100
Year 5	28,521
Year 6 and thereafter	<u>51,310</u>
	<u><u>\$ 613,549</u></u>

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

	<b>December 31, 2018</b>
Less than one year	\$ 168,784
Between one and five years	526,774
More than five years	<u>79,298</u>
	<u><u>\$ 774,856</u></u>

#### 14. INTANGIBLE ASSETS

	<b>Concession Licenses</b>	<b>Goodwill</b>	<b>Other Intangible Assets Computer Software</b>	<b>Copyrights</b>	<b>Total</b>
<u>Cost</u>					
Balance, January 1, 2019	\$ 41,043,375	\$ 7,121,871	\$ 3,128,758	\$ 6,000	\$ 51,300,004
Addition	-	-	129,657	-	129,657
Disposals and retirements	-	-	(67,976)	-	(67,976)
Reclassification	<u>-</u>	<u>-</u>	<u>125,985</u>	<u>-</u>	<u>125,985</u>
Balance, December 31, 2019	<u><u>\$ 41,043,375</u></u>	<u><u>\$ 7,121,871</u></u>	<u><u>\$ 3,316,424</u></u>	<u><u>\$ 6,000</u></u>	<u><u>\$ 51,487,670</u></u>
<u>Accumulated amortization and impairment</u>					
Balance, January 1, 2019	\$ 7,663,274	\$ -	\$ 2,578,858	\$ 4,800	\$ 10,246,932
Amortization	2,640,653	-	365,946	1,200	3,007,799
Disposals and retirements	<u>-</u>	<u>-</u>	<u>(67,976)</u>	<u>-</u>	<u>(67,976)</u>
Balance, December 31, 2019	<u><u>\$ 10,303,927</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,876,828</u></u>	<u><u>\$ 6,000</u></u>	<u><u>\$ 13,186,755</u></u>
Carrying amount, December 31, 2019	<u><u>\$ 30,739,448</u></u>	<u><u>\$ 7,121,871</u></u>	<u><u>\$ 439,596</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 38,300,915</u></u>

(Continued)

	Concession Licenses	Goodwill	Other Intangible Assets		
			Computer Software	Copyrights	Total
<u>Cost</u>					
Balance, January 1, 2018	\$ 51,324,375	\$ 7,121,871	\$ 2,827,743	\$ -	\$ 61,273,989
Addition	-	-	202,239	600	202,839
Disposals and retirements	(10,281,000)	-	(102,013)	-	(10,383,013)
Reclassification	<u>-</u>	<u>-</u>	<u>200,789</u>	<u>5,400</u>	<u>206,189</u>
Balance, December 31, 2018	<u>\$ 41,043,375</u>	<u>\$ 7,121,871</u>	<u>\$ 3,128,758</u>	<u>\$ 6,000</u>	<u>\$ 51,300,004</u>
<u>Accumulated amortization and impairment</u>					
Balance, January 1, 2018	\$ 14,981,287	\$ -	\$ 2,288,079	\$ -	\$ 17,269,366
Amortization	2,838,369	-	389,408	4,800	3,232,577
Disposals and retirements	<u>(10,156,382)</u>	<u>-</u>	<u>(98,629)</u>	<u>-</u>	<u>(10,255,011)</u>
Balance, December 31, 2018	<u>\$ 7,663,274</u>	<u>\$ -</u>	<u>\$ 2,578,858</u>	<u>\$ 4,800</u>	<u>\$ 10,246,932</u>
Carrying amount, December 31, 2018	<u>\$ 33,380,101</u>	<u>\$ 7,121,871</u>	<u>\$ 549,900</u>	<u>\$ 1,200</u>	<u>\$ 41,053,072</u> (Concluded)

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

Concession licenses	14-17 years
Computer software	2-6 years
Copyrights	Amortized over the broadcast period

a. Concession licenses

The 3G concession license terminated on December 31, 2018.

b. Goodwill

The goodwill resulted from the merger of TransAsian Telecommunications Inc. in September 2008.

c. Impairment of assets

In conformity with IAS 36 “Impairment of Assets”, TWM identified its mobile communication service as the smallest identifiable units which can generate cash inflows independently.

The recoverable amounts of the operating assets were evaluated by the critical assumptions used for this evaluation were as follows:

1) Assumptions on cash flows

The five-year cash flow projections were estimated on the basis of previous experience, actual operating results, and the financial budget.

2) Assumptions on operating revenues

After taking changes in the telecom industry and the competitive landscape into consideration, operating revenues were estimated on the basis of the projected changes in subscriber numbers, minutes of incoming and outgoing calls, and rate plan composition.

3) Assumptions on operating costs and expenses

The estimates of activation commissions and customer retention costs were based on the new customers obtained and existing customers maintained. The estimates of remaining costs and expenses were based on the cost drivers of each item.

4) Assumptions on discount rates

For the years ended December 31, 2019 and 2018, the discount rates used to calculate the recoverable amount for the asset's cash-generating unit were 6.27% and 5.92%, respectively.

Based on the key assumptions of the cash-generating unit, TWM's management believes that the carrying amounts of these operating assets will not exceed their recoverable amounts even if there are any reasonable changes in the critical assumptions used to estimate recoverable amounts. Thus, there was no impairment of such assets for the years ended December 31, 2019 and 2018.

## 15. OTHER NON-CURRENT ASSETS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Refundable deposits (Note)	\$ 1,391,076	\$ 400,797
Prepayments for investment	100,000	-
Prepayments for equipment	58,916	24,422
Others	<u>7,490</u>	<u>720</u>
	<u>\$ 1,557,482</u>	<u>\$ 425,939</u>

Note: TWM applied for the participation in the 5G mobile spectrum auction held by NCC, and paid \$1,000,000 thousand as bid bond in October 2019.

## 16. BORROWINGS

a. Short-term borrowings

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Unsecured loans - financing institution	\$ 14,600,000	\$ 9,300,000
Unsecured loans - related parties	<u>10,535,000</u>	<u>9,988,000</u>
	<u>\$ 25,135,000</u>	<u>\$ 19,288,000</u>
Annual interest rates - financing institution	0.65%-0.95%	0.7%-0.96%
Annual interest rates - related parties	1.09367%- 1.09422%	1.09433%- 1.09511%

For the information on related party loan, see Note 28.

b. Short-term notes and bills payable

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term notes and bills payable	\$ 1,900,000	\$ 1,500,000
Less: Discounts on short-term notes and bills payable	<u>(1,889)</u>	<u>(1,008)</u>
	<u>\$ 1,898,111</u>	<u>\$ 1,498,992</u>
Annual interest rates	0.688%	0.788%-0.798%

c. Long-term borrowings

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Unsecured loans	\$ 6,000,000	\$ 8,000,000
Less: Current portion	<u>-</u>	<u>(2,000,000)</u>
	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Annual interest rates	0.72%-0.79%	0.75%-1.07%

TWM 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.

## 17. BONDS PAYABLE

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
3rd domestic unsecured straight corporate bonds	\$ -	\$ 4,499,680
5th domestic unsecured straight corporate bonds	14,988,914	14,986,357
3rd domestic unsecured convertible bonds	914,522	9,432,780
Less: Current portion	<u>-</u>	<u>(4,499,680)</u>
	<u>\$ 15,903,436</u>	<u>\$ 24,419,137</u>

a. 3rd domestic unsecured straight corporate bonds

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

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

b. 4th domestic unsecured straight corporate bonds

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

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

c. 5th domestic unsecured straight corporate bonds

On April 20, 2018, TWM issued the 5th domestic unsecured straight corporate bonds. The bonds included five-year and seven-year bonds, with the principal amounts 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 December 31, 2019, the amount of unamortized bond issue cost was \$11,086 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 December 31, 2019, the amount of unamortized bond discount was \$15,978 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	185,759
Convertible bonds converted into common stock	<u>(305,584)</u>
Liability component on December 31, 2018	9,432,780
Interest charged at an effective interest rate	47,272
Convertible bonds converted into common stock	<u>(8,565,530)</u>
Liability component on December 31, 2019	<u>\$ 914,522</u>

As of December 31, 2019 and 2018, the bondholders had requested to convert the bonds at face values of \$9,069,500 thousand and \$314,200 thousand, respectively.

## 18. PROVISIONS

	December 31		
	2019	2018	
Restoration	\$ 736,340	\$ 743,023	
Warranties	<u>40,111</u>	<u>67,929</u>	
	<u>\$ 776,451</u>	<u>\$ 810,952</u>	
Current	\$ 64,020	\$ 91,836	
Non-current	<u>712,431</u>	<u>719,116</u>	
	<u>\$ 776,451</u>	<u>\$ 810,952</u>	
	Restoration	Warranties	Total
Balance, January 1, 2019	\$ 743,023	\$ 67,929	\$ 810,952
Provision	13,485	68,301	81,786
Payment/Reversal	(21,302)	(96,119)	(117,421)
Unwinding of discount	<u>1,134</u>	<u>-</u>	<u>1,134</u>
Balance, December 31, 2019	<u>\$ 736,340</u>	<u>\$ 40,111</u>	<u>\$ 776,451</u>
Balance, January 1, 2018	\$ 779,306	\$ 128,412	\$ 907,718
Provision	21,673	92,463	114,136
Payment/Reversal	(59,982)	(152,946)	(212,928)
Unwinding of discount	<u>2,026</u>	<u>-</u>	<u>2,026</u>
Balance, December 31, 2018	<u>\$ 743,023</u>	<u>\$ 67,929</u>	<u>\$ 810,952</u>

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

Domestic firms of TWM 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. In accordance with the above provision, TWM’s contribution to the pension plan amounted to \$155,002 thousand and \$155,076 thousand for the years ended December 31, 2019 and 2018, respectively.

### b. Defined benefit plans

TWM contributed 2% of each employee’s monthly wages to the pension fund, with Bank of Taiwan acting as the custodian bank, in accordance with the defined benefit plans (the “Plans”). The Plans provide defined pension benefits for the TWM’s certain qualified employees, specified under the Labor Standards Law, and such benefits are determined based on an employee’s years of service and average monthly salary for six-month period prior to the date of retirement. Before the end of each year, TWM assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, TWM will fund the difference in one appropriation before the end of March of the following year. The fund is operated and managed by the government’s designated authorities; as such, TWM does not have any right to participate in the operation of the fund.

The defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligations	\$ 908,961	\$ 845,191
Fair value of plan assets	<u>(601,355)</u>	<u>(563,028)</u>
Net defined benefit liabilities	<u>\$ 307,606</u>	<u>\$ 282,163</u>

The movements in present value of defined benefit obligations for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance, January 1	\$ 845,191	\$ 756,290
Current service costs	1,435	1,363
Interest costs	10,565	11,344
Actuarial loss - changes in demographic assumptions	19,120	52,386
Actuarial loss - changes in financial assumptions	44,901	28,586
Actuarial (gain) loss - experience adjustments	(4,595)	13,873
Benefits paid from plan assets	<u>(7,656)</u>	<u>(18,651)</u>
Balance, December 31	<u>\$ 908,961</u>	<u>\$ 845,191</u>



The movements in the fair value of the plan assets for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance, January 1	\$ 563,028	\$ 539,224
Net interest income	7,171	8,250
Return on plan assets (excluding amounts included in net interest)	18,296	13,389
Contributions from the employer	20,516	20,816
Benefits paid from plan assets	<u>(7,656)</u>	<u>(18,651)</u>
Balance, December 31	<u>\$ 601,355</u>	<u>\$ 563,028</u>

The expenses recognized in profit or loss for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current service costs	\$ 1,435	\$ 1,363
Interest costs	10,565	11,344
Net interest income	<u>(7,171)</u>	<u>(8,250)</u>
	<u>\$ 4,829</u>	<u>\$ 4,457</u>

The pre-tax remeasurements recognized in other comprehensive income (loss) for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Return on plan assets (excluding amounts included in net interest)	\$ (18,296)	\$ (13,389)
Actuarial loss - changes in demographic assumptions	19,120	52,386
Actuarial loss - changes in financial assumptions	44,901	28,586
Actuarial (gain) loss - experience adjustments	<u>(4,595)</u>	<u>13,873</u>
	<u>\$ 41,130</u>	<u>\$ 81,456</u>

Through the defined benefit plans under the Labor Standards Law, TWM is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial present values of the defined benefit obligation were carried out by the chartered actuary.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate	0.875%	1.25%
Long-term average adjustment rate of salary	2.75%	2.75%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate		
0.25% increase	<u>\$ (30,468)</u>	<u>\$ (30,042)</u>
0.25% decrease	<u>\$ 31,780</u>	<u>\$ 31,392</u>
Long-term average adjustment rate of salary		
0.25% increase	<u>\$ 30,699</u>	<u>\$ 30,453</u>
0.25% decrease	<u>\$ (29,599)</u>	<u>\$ (29,306)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
The expected contributions to the Plan for the following year	<u>\$ 20,956</u>	<u>\$ 21,293</u>
The average duration of the defined benefit obligation	13.4 years	14.2 years

## 20. EQUITY

### a. Common stock

As of December 31, 2019 and 2018, TWM's authorized capital was \$60,000,000 thousand and capital issued and outstanding were \$34,959,441 thousand and \$34,208,519 thousand, respectively, divided into 3,495,944 thousand shares and 3,420,852 thousand shares, respectively, which were all common stocks, at a par value of \$10 each.

As of December 31, 2019 and 2018, the bondholders of the 3rd domestic unsecured convertible bonds had requested to convert the bonds into 88,522 thousand and 3,001 thousand common stocks, respectively. TWM recognized 13,410 thousand and 2,982 thousand of common stocks, respectively, as capital collected in advance, totaling \$134,104 thousand and \$29,819 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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Additional paid-in capital from convertible corporate bonds	\$ 14,424,786	\$ 6,363,714
Treasury stock transactions	5,159,704	5,159,704
Difference between consideration and carrying amount arising from the disposal of subsidiaries' stock	85,965	85,965
Changes in equity of subsidiaries	501,215	501,215
Convertible bonds payable options	37,273	387,979
Changes in equity of associates accounted for using equity method	30,801	48,147
Others	<u>34,950</u>	<u>33,968</u>
	<u>\$ 20,274,694</u>	<u>\$ 12,580,692</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:

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

TWM’s 2019 earnings appropriations will be proposed by the Board of Directors and approved in the AGM. Information on earnings appropriations is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity interests

	<b>Exchange Differences on Translation</b>	<b>Unrealized Gain (Loss) on Financial Assets at FVTOCI</b>	<b>Unrealized Gain (Loss) on Available-for- sale Financial Assets</b>	<b>Total</b>
Balance, January 1, 2019	\$ (24,398)	\$ (70,983)	\$ -	\$ (95,381)
Changes in fair value of financial assets at FVTOCI	-	(225,035)	-	(225,035)
Changes in other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	(10,107)	707,045	-	696,938
Income tax effect	<u>-</u>	<u>62,383</u>	<u>-</u>	<u>62,383</u>
Balance, December 31, 2019	<u>\$ (34,505)</u>	<u>\$ 473,410</u>	<u>\$ -</u>	<u>\$ 438,905</u>

(Continued)

	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, 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)
Changes in fair value of financial assets at FVTOCI	-	(429,754)	-	(429,754)
Changes in other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	(7,899)	637,727	-	629,828
Income tax effect	<u>-</u>	<u>2,829</u>	<u>-</u>	<u>2,829</u>
Balance, December 31, 2018	<u>\$ (24,398)</u>	<u>\$ (70,983)</u>	<u>\$ -</u>	<u>\$ (95,381)</u> (Concluded)

e. Treasury stock

As of December 31, 2019 and 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, and the market values were \$78,260,179 thousand and \$74,417,046 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 stockholders, except that they are not allowed to subscribe new shares issued by TWM for cash and exercise the voting rights over such treasury stock.

## 21. OPERATING REVENUES

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue from contracts with customers		
Telecommunications and value-added services	\$ 43,961,247	\$ 49,114,766
Sales revenue	18,287,606	16,264,875
Other operating revenues	<u>177,417</u>	<u>165,986</u>
	<u>\$ 62,426,270</u>	<u>\$ 65,545,627</u>

a. Contract information

Please refer to Note 4.

b. Contract balances

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Contract assets		
Bundle sales	\$ 8,356,511	\$ 8,735,048
Less: Allowance for impairment loss	<u>(71,030)</u>	<u>(74,248)</u>
	<u>\$ 8,285,481</u>	<u>\$ 8,660,800</u>
Current	\$ 4,827,361	\$ 5,460,190
Non-current	<u>3,458,120</u>	<u>3,200,610</u>
	<u>\$ 8,285,481</u>	<u>\$ 8,660,800</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Contract liabilities - current		
Telecommunications and value-added services	\$ 1,033,941	\$ 1,126,758
Sales of goods	<u>7,441</u>	<u>25,573</u>
	<u>\$ 1,041,382</u>	<u>\$ 1,152,331</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. Other significant changes are as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Contract assets		
Transfers of beginning balance to receivables	\$ (5,422,665)	\$ (6,230,115)

TWM 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, TWM concluded that the expected loss rates for trade receivables can be applied to the contract assets. As of December 31, 2019 and 2018, the expected credit loss rates were both 0.85%.

The movements of the allowance of contract assets are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 74,248	\$ 90,541
Less: Recovery	<u>(3,218)</u>	<u>(16,293)</u>
Ending balance	<u>\$ 71,030</u>	<u>\$ 74,248</u>

Revenue of the reporting period recognized from the beginning contract liabilities is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Contract liabilities		
Telecommunications and value-added services	\$ 1,031,299	\$ 1,562,257
Sales of goods	<u>24,263</u>	<u>21,211</u>
	<u>\$ 1,055,562</u>	<u>\$ 1,583,468</u>

c. Partially completed contracts

The transaction prices allocated to the performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as follows:

	<b>In 2020</b>	<b>In 2021</b>	<b>After 2021</b>	<b>Total</b>
<u>December 31, 2019</u>				
Telecommunications and Value-added Services	<u>\$ 13,678,048</u>	<u>\$ 6,397,878</u>	<u>\$ 694,539</u>	<u>\$ 20,770,465</u>
	<b>In 2019</b>	<b>In 2020</b>	<b>After 2020</b>	<b>Total</b>
<u>December 31, 2018</u>				
Telecommunications and Value-added Services	<u>\$ 17,249,374</u>	<u>\$ 7,739,781</u>	<u>\$ 984,436</u>	<u>\$ 25,973,591</u>

The above information does not include contracts with expected durations which are equal to or less than one year.

d. Assets related to contract costs

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Incremental costs of obtaining a contract - non-current	<u>\$ 2,039,338</u>	<u>\$ 2,884,482</u>

TWM 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 years ended December 31, 2019 and 2018 were \$2,417,688 thousand and \$3,340,003 thousand, respectively.

## 22. NON-OPERATING INCOME AND EXPENSES

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Rental income	\$ -	\$ 52,344
Interest income	55,988	12,331
Dividend income	9,735	10,424
Other income	<u>10,339</u>	<u>6,934</u>
	<u>\$ 76,062</u>	<u>\$ 82,033</u>

### b. Other gains and losses, net

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Loss on disposal of property, plant and equipment, net	\$ (274,349)	\$ (95,769)
Loss on disposal of intangible assets, net	-	(128,002)
Valuation gain on financial liabilities at FVTPL	1,819	8,061
Reversal of impairment loss on property, plant and equipment	-	99,064
Reversal of impairment loss on investment property	-	4,522
Loss on foreign exchange	(21,462)	(5,240)
Others	<u>(2,281)</u>	<u>(3,021)</u>
	<u>\$ (296,273)</u>	<u>\$ (120,385)</u>

### c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest expense		
Bank loans	\$ 120,590	\$ 159,552
Corporate bonds	249,243	319,895
Related parties	112,292	99,996
Lease liabilities	74,838	-
Others	<u>13,776</u>	<u>23,929</u>
	570,739	603,372
Less: Capitalized interest	<u>(4,946)</u>	<u>(6,021)</u>
	<u>\$ 565,793</u>	<u>\$ 597,351</u>
Capitalization rates	1.34%	1.34%



## 23. INCOME TAX

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current income tax expense		
Current period	\$ 1,573,194	\$ 1,715,616
Prior years' adjustment	47,590	3,472
Others	<u>(10,554)</u>	<u>(41,450)</u>
	<u>1,610,230</u>	<u>1,677,638</u>
Deferred income tax expense		
Temporary differences	71,088	241,829
Changes in tax rates	<u>-</u>	<u>(24,576)</u>
	<u>71,088</u>	<u>217,253</u>
Income tax expense	<u>\$ 1,681,318</u>	<u>\$ 1,894,891</u>

The reconciliation of profit before tax to income tax expense was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before tax	<u>\$ 14,162,485</u>	<u>\$ 15,537,063</u>
Income tax expense at domestic statutory tax rate	\$ 2,832,497	\$ 3,107,413
Adjustment items in determining taxable profit	(1,257,371)	(1,357,429)
Temporary differences	71,088	241,829
Investment tax credits	(2,217)	(34,431)
Prior years' other adjustments	47,590	3,472
Changes in tax rates	-	(24,576)
Land value increment tax	285	63
Others	<u>(10,554)</u>	<u>(41,450)</u>
	<u>\$ 1,681,318</u>	<u>\$ 1,894,891</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 made in 2018 and thereafter has been reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. TWM has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year 2019.

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Deferred income tax income		
Unrealized gain on financial assets at FVTOCI	\$ 62,383	\$ 2,829
Remeasurements from defined benefit plans	8,226	16,291
Changes in tax rates - Remeasurements of defined benefit plans	<u>-</u>	<u>9,298</u>
	<u>\$ 70,609</u>	<u>\$ 28,418</u>

c. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the Year Ended December 31, 2019</b>				
	<b>Opening Balance</b>	<b>Effect of Application</b>	<b>Recognized in</b>		<b>Closing Balance</b>
			<b>Profit or Loss</b>	<b>Other Comprehensive Income (Loss)</b>	
<u>Deferred tax assets</u>					
Property, plant and equipment	\$ 288,138	\$ -	\$ (16,575)	\$ -	\$ 271,563
Defined benefit plans	56,433	-	(3,138)	8,226	61,521
Others	<u>222,972</u>	<u>(2,487)</u>	<u>2,807</u>	<u>62,383</u>	<u>285,675</u>
	<u>\$ 567,543</u>	<u>\$ (2,487)</u>	<u>\$ (16,906)</u>	<u>\$ 70,609</u>	<u>\$ 618,759</u>
<u>Deferred tax liabilities</u>					
Intangible assets	\$ 568,623	\$ -	\$ 55,028	\$ -	\$ 623,651
Others	<u>846</u>	<u>-</u>	<u>(846)</u>	<u>-</u>	<u>-</u>
	<u>\$ 569,469</u>	<u>\$ -</u>	<u>\$ 54,182</u>	<u>\$ -</u>	<u>\$ 623,651</u>
	<b>For the Year Ended December 31, 2018</b>				
	<b>Opening Balance</b>		<b>Recognized in</b>		<b>Closing Balance</b>
			<b>Profit or Loss</b>	<b>Other Comprehensive Income (Loss)</b>	
<u>Deferred tax assets</u>					
Property, plant and equipment	\$ 388,872		\$ (100,734)	\$ -	\$ 288,138
Defined benefit plans	36,901		(6,057)	25,589	56,433
Others	<u>202,736</u>		<u>17,407</u>	<u>2,829</u>	<u>222,972</u>
	<u>\$ 628,509</u>		<u>\$ (89,384)</u>	<u>\$ 28,418</u>	<u>\$ 567,543</u>
<u>Deferred tax liabilities</u>					
Intangible assets	\$ 436,556		\$ 132,067	\$ -	\$ 568,623
Others	<u>5,044</u>		<u>(4,198)</u>	<u>-</u>	<u>846</u>
	<u>\$ 441,600</u>		<u>\$ 127,869</u>	<u>\$ -</u>	<u>\$ 569,469</u>

d. The income tax returns through 2017 have been examined and cleared by the tax authorities.

## 24. EARNINGS PER SHARE

<b>For the Year Ended December 31, 2019</b>			
	<b>Amount After Income Tax</b>	<b>Weighted- average Number of Common Stock</b>	<b>EPS</b>
Basic EPS			
Profit attributable to stockholders	\$ 12,481,167	2,767,709	<u>\$ 4.51</u>
Effect of potential dilutive common stock:			
Employees' compensation	-	3,863	
Convertible bonds	<u>45,453</u>	<u>52,208</u>	
Diluted EPS			
Profit attributable to stockholders (adjusted for potential effect of common stock)	<u>\$ 12,526,620</u>	<u>2,823,780</u>	<u>\$ 4.44</u>
<b>For the Year Ended December 31, 2018</b>			
	<b>Amount After Income Tax</b>	<b>Weighted- average Number of Common Stock</b>	<b>EPS</b>
Basic EPS			
Profit attributable to stockholders	\$ 13,642,172	2,722,519	<u>\$ 5.01</u>
Effect of potential dilutive common stock:			
Employees' compensation	-	4,405	
Convertible bonds	<u>80,227</u>	<u>95,073</u>	
Diluted EPS			
Profit attributable to stockholders (adjusted for potential effect of common stock)	<u>\$ 13,722,399</u>	<u>2,821,997</u>	<u>\$ 4.86</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.

## 25. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities:

For the Year Ended December 31, 2019

	<b>Opening Balance</b>	<b>Cash Flows</b>	<b>Non-cash Changes</b>		<b>Closing Balance</b>
			<b>New Leases</b>	<b>Others</b>	
Lease liabilities (including current and non-current portions)	<u>\$ 8,849,384</u>	<u>\$ (3,429,457)</u>	<u>\$ 2,967,297</u>	<u>\$ (131,057)</u>	<u>\$ 8,256,167</u>

## 26. CAPITAL MANAGEMENT

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

## 27. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets</u>		
Financial assets at FVTOCI (including current and non-current portions)	\$ 1,847,303	\$ 2,072,339
Financial assets measured at amortized cost (including current and non-current portions) (Note 1)	<u>9,707,843</u>	<u>9,112,242</u>
Total	<u>\$ 11,555,146</u>	<u>\$ 11,184,581</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (including current and non-current portions) (Note 2)	\$ 57,779,271	\$ 66,971,881
Financial liabilities at FVTPL	<u>-</u>	<u>1,861</u>
Total	<u>\$ 57,779,271</u>	<u>\$ 66,973,742</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, TWM 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.

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial liabilities</u>				
Bonds payable (including current portion)	\$ 15,903,436	\$ 16,077,220	\$ 28,918,817	\$ 29,495,234

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).

December 31, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 1,355,446	\$ -	\$ -	\$ 1,355,446
Limited partnerships	-	-	462,068	462,068
Foreign unlisted stocks	-	-	29,789	29,789
	<u>\$ 1,355,446</u>	<u>\$ -</u>	<u>\$ 491,857</u>	<u>\$ 1,847,303</u>

December 31, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 1,268,567	\$ -	\$ -	\$ 1,268,567
Limited partnerships	-	-	775,385	775,385
Foreign unlisted stocks	-	-	28,387	28,387
	<u>\$ 1,268,567</u>	<u>\$ -</u>	<u>\$ 803,772</u>	<u>\$ 2,072,339</u>
<u>Financial liabilities at FVTPL</u>				
	<u>\$ -</u>	<u>\$ 1,861</u>	<u>\$ -</u>	<u>\$ 1,861</u>

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

Valuation techniques and assumptions used in fair value determination

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

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

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:

The fair value of limited partnerships investments, TWM's main investments, was evaluated through the market approach and income approach. The evaluation and assumptions are mainly referenced to related information of comparable market targets and estimated future cash flows. The unobservable input parameter was liquidity discount rates, which were estimated at 29.6% and 28% as of December 31, 2019 and 2018, respectively.

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

For the Year Ended December 31, 2019

	<b>Financial Assets at FVTOCI - Equity Instruments</b>
Balance at January 1, 2019	\$ 803,772
Recognized in other comprehensive income (unrealized loss on financial assets at FVTOCI)	<u>(311,915)</u>
Balance at December 31, 2019	<u>\$ 491,857</u>

For the Year Ended December 31, 2018

	<b>Financial Assets at FVTOCI - Equity Instruments</b>
Balance at January 1, 2018	\$ 792,115
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	<u>11,657</u>
Balance at December 31, 2018	<u>\$ 803,772</u>

c. Financial risk management

1) TWM's major financial instruments include equity investments, trade receivables, trade payables, short-term notes and bills payable, bonds payable, borrowings, lease liabilities, etc., and TWM 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 TWM's risk exposure and TWM'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 TWM'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 TWM 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 balance sheet as of the balance sheet date. TWM has large trade receivables outstanding with its customers. A substantial majority of TWM's outstanding trade receivables are not covered by collateral or credit insurance. TWM has implemented ongoing measures including enhancing credit assessments and strengthening overall risk management to reduce its credit risk. While TWM 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 TWM serves a large number of unrelated consumers, the concentration of credit risk was limited.

## 4) Liquidity risk

Liquidity risk is the risk that TWM fails to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. TWM'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 TWM's reputation.

TWM manages and maintains sufficient level of capital to pay the requirements of estimated operating expenditures, including financial obligations on each contract. TWM also monitors its bank credit facilities to ensure that the provisions of loan contracts are all complied with. As of December 31, 2019 and 2018, TWM had unused bank facilities of \$50,260,520 thousand and \$50,993,100 thousand, respectively.

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

	<b>Contractual Cash Flows</b>	<b>Within 1 Year</b>	<b>1-5 Years</b>	<b>More Than 5 Years</b>
<u>December 31, 2019</u>				
Unsecured loans	\$ 20,679,676	\$ 14,665,888	\$ 6,013,788	\$ -
Unsecured loans - related parties	10,634,889	10,634,889	-	-
Short-term notes and bills payable	1,900,000	1,900,000	-	-
Bonds payable	16,674,020	140,880	7,443,140	9,090,000
Lease liabilities	<u>8,371,445</u>	<u>3,117,112</u>	<u>5,233,247</u>	<u>21,086</u>
	<u>\$ 58,260,030</u>	<u>\$ 30,458,769</u>	<u>\$ 18,690,175</u>	<u>\$ 9,111,086</u>
<u>December 31, 2018</u>				
Unsecured loans	\$ 17,399,881	\$ 11,365,871	\$ 6,034,010	\$ -
Unsecured loans - related parties	10,094,645	10,094,645	-	-
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>\$ 59,125,026</u>	<u>\$ 27,661,696</u>	<u>\$ 22,283,330</u>	<u>\$ 9,180,000</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 TWM'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.

TWM 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

TWM 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, TWM purchases currency at the spot rate based on the conservative principle in order to hedge exchange rate risk.



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

<b>December 31, 2019</b>			
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 27,207	30.02	\$ 816,761
EUR	1,162	33.62	39,057
Non-monetary items			
USD	16,384	30.02	491,857
<u>Foreign currency liabilities</u>			
Monetary items			
USD	4,744	30.02	142,424
EUR	32	33.62	1,073
<b>December 31, 2018</b>			
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 26,221	30.79	\$ 807,356
EUR	608	35.05	21,322
Non-monetary items			
USD	26,105	30.79	803,772
<u>Foreign currency liabilities</u>			
Monetary items			
USD	8,942	30.79	275,330
EUR	17	35.05	600

Please refer to Note 22(b) for the information related to TWM's realized and unrealized foreign exchange gains (losses) for the years ended December 31, 2019 and 2018, respectively.

#### Sensitivity analysis

TWM'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 \$35,616 thousand and \$27,637 thousand for the years ended December 31, 2019 and 2018, respectively.

b) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial assets	\$ -	\$ 30,790
Financial liabilities	50,078,192	43,273,029
Cash flow interest rate risk		
Financial assets	1,231,232	1,239,663
Financial liabilities	6,200,000	5,000,000

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 \$24,844 thousand and \$18,802 thousand for the years ended December 31, 2019 and 2018, respectively.

c) Other market price risk

The exposure to equity price risk is mainly due to holding of stocks. TWM 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 \$92,365 thousand and \$103,617 thousand since the fair value of financial assets at FVTOCI decreased for the years ended December 31, 2019 and 2018, respectively.

## 28. RELATED-PARTY TRANSACTIONS

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

Related Party	Nature of Relationship
Taiwan Cellular Co., Ltd.	Subsidiary
Wealth Media Technology Co., Ltd. (WMT)	Subsidiary
Taipei New Horizon Co., Ltd. (TNH)	Subsidiary
Taiwan Fixed Network Co., Ltd. (TFN)	Subsidiary
Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Subsidiary
momo.com Inc. (momo)	Subsidiary
Taiwan Kuro Times Co., Ltd. (TKT)	Subsidiary
TWM Venture Co., Ltd.	Subsidiary
Taiwan Digital Service Co., Ltd.	Subsidiary
TFN Union Investment Co., Ltd.	Subsidiary
TCC Investment Co., Ltd.	Subsidiary
TCCI Investment and Development Co., Ltd.	Subsidiary
Taiwan Digital Communications Co., Ltd.	Subsidiary
Taihsin Property Insurance Agent Co., Ltd.	Subsidiary
Tai-Fu Cloud Technology Co., Ltd.	Subsidiary
TFN Media Co., Ltd.	Subsidiary
Global Forest Media Technology Co., Ltd.	Subsidiary
Win TV Broadcasting Co., Ltd.	Subsidiary
Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary
Mangrove Cable TV Co., Ltd.	Subsidiary
Phoenix Cable TV Co., Ltd.	Subsidiary
Union Cable TV Co., Ltd.	Subsidiary
Globalview Cable TV Co., Ltd.	Subsidiary
Bebe Poshe International Co., Ltd.	Subsidiary
ADT	Associate
Mistake Entertainment Co., Ltd.	Associate
TVD Shopping Co., Ltd. (TVD Shopping)	Associate
kbro Media Co., Ltd. (kbro Media)	Associate
Good Image Co., Ltd.	Associate (subsidiary of kbro Media)
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Other related party
Fubon Insurance Co., Ltd. (Fubon Ins.)	Other related party
Fubon Sports & Entertainment Co., Ltd. (FSE)	Other related party
Fubon Property Management Co., Ltd. (FPM)	Other related party
Fubon Financial Holding Co., Ltd.	Other related party
Fubon Life Insurance Co., Ltd.	Other related party
Fubon Securities Co., Ltd.	Other related party
Fubon Futures Co., Ltd.	Other related party
Fubon Investment Services Co., Ltd.	Other related party
Fubon Securities Investment Trust Co., Ltd.	Other related party
Fubon Marketing Co., Ltd.	Other related party
Fu-Sheng Life Insurance Agency Co., Ltd.	Other related party
Fu-Sheng General Insurance Agency Co., Ltd.	Other related party
Fubon Financial Venture Capital Co., Ltd.	Other related party
Fubon Gymnasium Co., Ltd.	Other related party
Fubon Asset Management Co., Ltd.	Other related party
One Production Film Co., Ltd.	Other related party
Fubon Land Development Co., Ltd.	Other related party
Fubon Real Estate Management Co., Ltd.	Other related party

(Continued)

<b>Related Party</b>	<b>Nature of Relationship</b>
Fubon Hospitality Management Co., Ltd.	Other related party
Chung Hsing Constructions Co., Ltd.	Other related party
Fu Yi Health Management Co., Ltd.	Other related party
Mitchiller Media Co., Ltd.	Other related party (not a related party since August 2019)
Far Eastern Memorial Hospital	Other related party
Chen Feng Investment Ltd.	Other related party
Chen Yun Co., Ltd.	Other related party
Xi Guo Co., Ltd.	Other related party
Taiwan Mobile Foundation (TMF)	Other related party
Taipei New Horizon Foundation	Other related party
Fubon Cultural & Educational Foundation	Other related party
Fubon Charity Foundation	Other related party
Fubon Art Foundation	Other related party
Taipei Fubon Bank Charity Foundation	Other related party
Taipei New Horizon Management Agency	Other related party
Key management	Chairman, director, general manager, manager, etc.

(Concluded)

b. Significant transactions with related parties

1) Operating revenue

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries	\$ 1,627,727	\$ 576,970
Associates	19,440	18,304
Other related parties	<u>251,424</u>	<u>476,029</u>
	<u>\$ 1,898,591</u>	<u>\$ 1,071,303</u>

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

2) Purchases

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries		
TFN	\$ 4,432,345	\$ 4,773,634
Others	461,639	496,089
Associates	2,835	2,749
Other related parties	<u>124,480</u>	<u>589,871</u>
	<u>\$ 5,021,299</u>	<u>\$ 5,862,343</u>

The entities mentioned above provide telecommunications and value-added services, purchases, 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	December 31	
		2019	2018
Accounts receivable	Subsidiaries	\$ 252,988	\$ 62,121
Accounts receivable	Associates	1,158	1,878
Accounts receivable	Other related parties	<u>31,617</u>	<u>72,699</u>
		<u>\$ 285,763</u>	<u>\$ 136,698</u>
Other receivables	Subsidiaries	\$ 37,615	\$ 70,316
Other receivables	Other related parties	<u>27,492</u>	<u>19,438</u>
		<u>\$ 65,107</u>	<u>\$ 89,754</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	December 31	
		2019	2018
Accounts payable	Subsidiaries	\$ 161,820	\$ 173,885
Accounts payable	Associates	-	99
Accounts payable	Other related parties	<u>10,183</u>	<u>50,997</u>
		<u>\$ 172,003</u>	<u>\$ 224,981</u>
Other payables	Subsidiaries	<u>\$ 495,321</u>	<u>\$ 558,474</u>

5) Transaction of property

Disposals of property, plant and equipment

	2019		2018	
	Proceeds	Gain (Loss) on Disposal	Proceeds	Gain (Loss) on Disposal
Subsidiaries				
TKT	<u>\$ 14,770</u>	<u>\$ -</u>	<u>\$ 11,094</u>	<u>\$ -</u>

6) Borrowings from related parties

	December 31	
	2019	2018
Subsidiaries		
TFN	\$ 7,600,000	\$ 6,990,000
WMT	2,876,000	2,608,000
Others	<u>59,000</u>	<u>390,000</u>
	<u>\$ 10,535,000</u>	<u>\$ 9,988,000</u>

The rate on borrowings from related parties was equivalent to the rate in the market.

7) Bank deposits and other financial assets

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Other related parties		
TFCB	<u>\$ 293,607</u>	<u>\$ 239,323</u>

8) Equity purchase transaction

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

9) Others

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Guarantee deposits		
Subsidiaries	<u>\$ 18,071</u>	<u>\$ 18,840</u>
Other current liabilities - receipts under custody		
Subsidiaries	\$ 50,371	\$ 46,993
Other related parties	<u>123,993</u>	<u>69,057</u>
	<u>\$ 174,364</u>	<u>\$ 116,050</u>

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating expenses		
Subsidiaries		
TFN	\$ 32,393	\$ 51,969
TT&T	1,030,475	1,047,348
TNH	9,632	120,487
Others	65,827	84,439
Other related parties		
TMF	13,100	14,420
FPM	44,914	44,202
FSE	31,000	24,500
TFCB	140,197	155,992
Others	<u>32,954</u>	<u>63,268</u>
	<u>\$ 1,400,492</u>	<u>\$ 1,606,625</u>

For the years ended December 31, 2019 and 2018, TWM's service charges received (recognized as deduction of other income and expenses) were as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Amounts received		
Subsidiaries	<u>\$ 342,257</u>	<u>\$ 322,828</u>

For the years ended December 31, 2019 and 2018, TWM's service charges paid were as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Amounts paid		
Subsidiaries	<u>\$ 69,841</u>	<u>\$ 64,968</u>

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Non-operating income		
Subsidiaries		
momo	<u>\$ -</u>	<u>\$ 45,284</u>

The above non-operating income included rental income. Leases were conducted by referring to general market prices, and rentals were collected on a monthly basis.

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Non-operating expense		
Subsidiaries		
TFN	<u>\$ 81,219</u>	<u>\$ 73,340</u>
Others	<u>31,073</u>	<u>26,656</u>
	<u>\$ 112,292</u>	<u>\$ 99,996</u>

#### 10) Lease arrangements

##### Acquisition of right-of-use assets

	<b><u>For the Year Ended December 31, 2019</u></b>
Subsidiaries	<u>\$ 40,262</u>
Other related parties	<u>44,265</u>
	<u>\$ 84,527</u>

Lease liabilities (including current and non-current portions)

	<b>December 31, 2019</b>
Subsidiaries	\$ 627,850
Other related parties	<u>61,079</u>
	<u>\$ 688,929</u>

Interest expenses

	<b>For the Year Ended December 31, 2019</b>
Subsidiaries	\$ 6,695
Other related parties	<u>778</u>
	<u>\$ 7,473</u>

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

c. Key management compensation

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 224,042	\$ 240,192
Termination and post-employment benefits	<u>16,528</u>	<u>1,698</u>
	<u>\$ 240,570</u>	<u>\$ 241,890</u>

## 29. ASSETS PLEDGED

The assets pledged as collateral for loan commitments were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Other current financial assets	\$ 20,893	\$ 9,409
Other non-current financial assets	<u>480</u>	<u>720</u>
	<u>\$ 21,373</u>	<u>\$ 10,129</u>



### 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

#### a. Unrecognized commitments

	December 31	
	2019	2018
Purchases of property, plant and equipment	\$ 3,105,578	\$ 806,935
Purchases of cellular phones	\$ 2,268,710	\$ 1,872,470

As of December 31, 2019, the amount of lease commitments commencing after the balance sheet date was \$293,272 thousand.

- b. As of December 31, 2019 and 2018, the amounts of endorsements and guarantees provided to TFN and TKT were both \$21,550,000 thousand.
- c. In accordance with the NCC's policy and regulations, TWM entered into a contract with First Commercial Bank Co., Ltd., which provided a performance guarantee for advance receipts from prepaid cards and electronic gift certificates, totaling \$490,027 thousand and \$15,405 thousand, respectively, as of December 31, 2019.
- d. 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.

### 31. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

- a. TWM acquired the 60MHz in the 3500MHz frequency band of 5G in the quantity-based bidding in January 2020, and the winning bid amounted to \$30,450,000 thousand. TWM also submitted the winning bid for spectrum position in February 2020, with the winning bid amounting to \$0. The total winning bids were \$30,450,000 thousand. TWM acquired the 200MHz in the 28000MHz frequency band in January 2020 with the winning bid amounting to \$206,000 thousand, and negotiated and agreed with other bidders for the spectrum position in February 2020.
- b. In January 2020, the Board of Directors resolved that TWM would issue unsecured straight corporate bonds with a total amount no more than \$20,000,000 thousand.
- c. TWM acquired 5% equity interest of Line Bank, and the preparatory office of Line Bank has been granted a permit to establish an internet-only banking business by FSC on July 30, 2019. TWM has prepaid \$100,000 thousand and \$400,000 thousand for the proposed investments in January 2019 and February 2020, respectively. Line Bank is currently in the progress for setup registration and banking business license application.

### 32. OTHERS

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

	For the Year Ended December 31, 2019			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Operating Costs or Expense Deduction	Total
Employee benefits				
Salary	\$ 1,072,936	\$ 2,285,932	\$ 403,998	\$ 3,762,866
Insurance expenses	73,308	196,645	24,544	294,497
Pension	43,568	101,107	15,156	159,831
Compensation of directors	-	81,343	-	81,343
Others	47,619	132,776	4,216	184,611
Depreciation	8,903,729	862,103	-	9,765,832
Amortization	2,645,751	2,779,736	-	5,425,487

	For the Year Ended December 31, 2018			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Operating Costs or Expense Deduction	Total
Employee benefits				
Salary	\$ 1,093,471	\$ 2,257,804	\$ 450,171	\$ 3,801,446
Insurance expenses	74,260	189,158	27,487	290,905
Pension	44,158	98,281	17,094	159,533
Compensation of directors	-	87,636	-	87,636
Others	54,300	148,262	5,904	208,466
Depreciation	6,764,520	256,109	-	7,020,629
Amortization	2,846,481	3,726,099	-	6,572,580

- a. For the years ended December 31, 2019 and 2018, the average numbers of TWM employees were 3,740 and 3,851, respectively, and the numbers of directors who were not employees were both 8.
- b. For the years ended December 31, 2019 and 2018, TWM's average employee benefits were \$1,179 thousand and \$1,161 thousand, respectively, and TWM's average salaries were \$1,008 thousand and \$989 thousand, respectively. The percentage change in the average salary expenses was 2%.
- c. 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 made by applying the rates to the aforementioned profit before income tax, for the years ended December 31, 2019 and 2018, respectively.

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

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

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

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

### 33. ADDITIONAL DISCLOSURES

- a. Information on significant transactions and b. Information on investees:
  - 1) Financing extended to other parties: Table 1 (attached)
  - 2) Endorsements/guarantees provided to other parties: Table 2 (attached)
  - 3) Marketable securities held: Table 3 (attached) (excluding investments in subsidiaries and associates)
  - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: 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
- c. Information on investment in Mainland China:
- 1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 8 (attached)
  - 2) Significant direct or indirect transactions with the investee companies, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: None

### **34. SEGMENT INFORMATION**

Please refer to the consolidated financial statements for the year ended December 31, 2019.

TABLE 1

TAIWAN MOBILE CO., LTD.

FINANCING EXTENDED TO OTHER PARTIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits	Note
													Item	Value			
1	TCC	TWM TFC	Other receivables	Yes	\$ 400,000	\$ 400,000	\$ 59,000	1.09422%-1.09511%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 36,513,649	\$ 36,513,649	Note 2
			Other receivables	Yes	700,000	700,000	252,000	1.39378%	Short-term financing	-	Operation requirements	-	-	-	36,513,649	36,513,649	Note 2
2	WMT	TWM TKT TFNM WTVB	Other receivables	Yes	3,500,000	3,500,000	2,876,000	1.09367%-1.09511%	Short-term financing	-	Operation requirements	-	-	-	8,295,952	8,295,952	Note 2
			Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,295,952	8,295,952	Note 2
			Other receivables	Yes	3,000,000	2,770,000	1,070,000	1.09378%-1.09489%	Short-term financing	-	Operation requirements	-	-	-	8,295,952	8,295,952	Note 2
			Other receivables	Yes	600,000	600,000	330,000	1.09367%-1.09522%	Short-term financing	-	Operation requirements	-	-	-	8,295,952	8,295,952	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	-	-	-	23,762,059	23,762,059	Note 2
			Other receivables	Yes	700,000	700,000	-	-	Short-term financing	-	Operation requirements	-	-	-	23,762,059	23,762,059	Note 2
4	YJCTV	TFNM	Other receivables	Yes	140,000	100,000	100,000	1.09378%-1.09456%	Transactions	462,023	-	-	-	-	462,023	462,023	Notes 3 and 4
5	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	1.09378%-1.09456%	Transactions	538,216	-	-	-	-	538,216	538,216	Notes 3 and 4
6	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	1.09378%-1.09456%	Short-term financing	-	Repayment of financing	-	-	-	286,680	286,680	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.

TABLE 2

TAIWAN MOBILE CO., LTD.

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

No.	Company Providing Endorsements/ Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts (Note 1)	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor (Note 1)	Maximum Endorsements/ Guarantees Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	TWM	TFN TKT	Note 2 Note 2	\$ 42,000,000 313,800	\$ 21,500,000 50,000	\$ 21,500,000 50,000	\$ 8,451,300 50,000	\$ - -	31.61 0.07	\$ 68,017,291 68,017,291	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.

TABLE 3

## TAIWAN MOBILE CO., LTD.

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

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 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	\$ 239,086	0.028	\$ 239,086	Note 1
	Asia Pacific Telecom Co., Ltd.	-	Non-current financial assets at FVTOCI	148,255	1,116,360	2.55	1,116,360	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at FVTOCI	800	29,789	10	29,789	
	<u>Limited Partnerships</u>							
	Grand Academy Investment, L.P.	-	Non-current financial assets at FVTOCI	-	367,115	21.67	367,115	Note 2
TCC	Starview Heights Investment, L.P.	-	Non-current financial assets at FVTOCI	-	94,953	21.67	94,953	Note 2
WMT	<u>Stock</u>							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at FVTOCI	6,998	85,867	5.21	85,867	
TFN	<u>Limited Partnerships</u>							
	The Last Thieves, L.P.	-	Current financial assets at FVTPL	-	149	7.14	149	Note 2
TCCI	<u>Stock</u>							
	Taiwan High Speed Rail Corporation	-	Non-current financial assets at FVTOCI	90,212	3,464,156	1.6	3,464,156	
TUI	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	200,497	22,455,637	5.71	22,455,637	
TID	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at FVTOCI	10,000	38,064	6.67	38,064	
TFNM	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	410,665	45,994,512	11.7	45,994,512	
TFNM	<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	-	
TFNM	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	December 31, 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	\$ 7,407	2.04	\$ 7,407	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at FVTOCI	2,400	49,584	7.73	49,584	

Note 1: Asia Pacific Telecom Co., Ltd. had completed the corporate amendment registration on December 9, 2019, and the record date of capital reduction and replacement issue of stock was set at January 17, 2020.

Note 2: Percentage of ownership is the percentage of capital contribution.

Note 3: For the information on investments in subsidiaries and associates, see Table 7 and Table 8 for details.

(Concluded)



TABLE 4

TAIWAN MOBILE CO., LTD.

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 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	momo 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

TABLE 5

## TAIWAN MOBILE CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount (Note 1)	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
TWM	TFN	Subsidiary	Sale	\$ 339,163	1	Based on contract terms	-	-	\$ 7,631	-	Note 5 Note 5
			Purchase	4,443,314	(Note 2)	Based on contract terms	-	-	(398,965)	(Note 4)	
	TT&T	Subsidiary	Purchase	1,030,475	(Note 2)	Based on contract terms	-	-	(83,523)	(Note 4)	
			Sale	119,944	-	Based on contract terms	-	-	55,784	1	
	TPIA	Subsidiary	Purchase	270,393	(Note 2)	Based on contract terms	-	-	(59,888)	(Note 4)	
			Sale	1,155,242	2	Based on contract terms	-	-	185,737	3	
	momo	Subsidiary	Purchase	157,676	-	Based on contract terms	-	-	(27,818)	2	
			Sale	148,523	-	Based on contract terms	-	-	22,140	-	
			Purchase	101,859	-	Based on contract terms	-	-	(9,788)	1	
TNH	TWM	Parent	Sale	127,410	21	Based on contract terms	-	-	5,384	39	Note 5 Note 5
TFN	TWM	Ultimate parent	Sale	4,479,607	48	Based on contract terms	-	-	398,965	38	
			Purchase	322,688	(Note 2)	Based on contract terms	-	-	(7,631)	(Note 4)	
	TT&T	Fellow subsidiary	Purchase	106,735	(Note 2)	Based on contract terms	-	-	(8,353)	(Note 4)	
			Sale	149,860	2	Based on contract terms	-	-	24,299	2	
	Fubon Life	Other related party	Sale	137,415	1	Based on contract terms	-	-	12,676	1	
TT&T	TWM	Ultimate parent	Sale	1,030,475	91	Based on contract terms	-	-	83,523	91	
	TFN	Fellow subsidiary	Sale	106,735	9	Based on contract terms	-	-	8,353	9	
TPIA	TWM	Ultimate parent	Purchase	125,905	100	Based on contract terms	-	-	(58,009)	100	
	Fubon Ins.	Other related party	Sale	189,613	90	Based on contract terms	-	-	70,117	88	
TKT	TWM	Ultimate parent	Sale	270,393	91	Based on contract terms	-	-	59,888	99	Note 5 Note 5
TDS	Fubon Ins.	Other related party	Sale	142,603	57	Based on contract terms	-	-	-	-	
TFNM	TFN	Fellow subsidiary	Purchase	149,403	(Note 2)	Based on contract terms	-	-	(24,299)	(Note 4)	
	YJCTV	Subsidiary	Channel leasing fee	424,445	13	Based on contract terms	Note 3	Note 3	-	-	
	PCTV	Subsidiary	Channel leasing fee	496,761	15	Based on contract terms	Note 3	Note 3	-	-	
	UCTV	Subsidiary	Channel leasing fee	220,801	7	Based on contract terms	Note 3	Note 3	-	-	
	GCTV	Subsidiary	Channel leasing fee	189,274	6	Based on contract terms	Note 3	Note 3	-	-	
YJCTV	TFNM	Parent	Royalty for copyright	424,445	54	Based on contract terms	Note 3	Note 3	-	-	
PCTV	TFNM	Parent	Royalty for copyright	496,761	56	Based on contract terms	Note 3	Note 3	-	-	
UCTV	TFNM	Parent	Royalty for copyright	220,801	39	Based on contract terms	Note 3	Note 3	-	-	
GCTV	TFNM	Parent	Royalty for copyright	189,274	56	Based on contract terms	Note 3	Note 3	-	-	
MCTV	Dai-Ka Ltd.	Other related party	Royalty for copyright	157,827	52	Based on contract terms	Note 3	Note 3	(39,457)	85	Note 5 Note 5
momo	TWM	Ultimate parent	Sale	158,773	-	Based on contract terms	-	-	31,807	25	
			Purchase	1,135,778	(Note 2)	Based on contract terms	-	-	(186,683)	(Note 4)	
	TPE	Associate	Purchase	597,651	1	Based on contract terms	-	-	(101,077)	2	

Note 1: The main difference between the amount sold or purchased by TWM and subsidiaries was because TWM and its subsidiaries classified the amount as right-of-use assets and other items.

Note 2: Including operating costs and operating expenses.

Note 3: The companies authorized a related party to deal with the copyright fees for cable television. As the said account item is the only one, there is no comparable transaction.

Note 4: Including accounts payable and other payables.

Note 5: Accounts receivable (payable) was the net amount after being offset.

TABLE 6

TAIWAN MOBILE CO., LTD.

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

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
						Amount	Action Taken		
TWM	momo	Subsidiary	Accounts receivable	\$ 185,737	11.97	\$ -	-	\$ 181,790	\$ -
TCC	TFC	Subsidiary	Other receivables	253,078		-	-	253,078	-
WMT	TWM	Parent	Other receivables	2,881,827		-	-	836	-
	TFNM	Subsidiary	Other receivables	1,071,759		-	-	-	-
	WTVB	Subsidiary	Other receivables	330,715		-	-	71	-
TFN	TWM	Ultimate parent	Accounts receivable	398,965	10.34	-	-	329,261	-
			Other receivables	7,698,384		-	-	338,780	-
YJCTV	TFNM	Parent	Accounts receivable	6,602	5.86	-	-	-	-
			Other receivables	100,176		-	-	-	-
PCTV	TFNM	Parent	Accounts receivable	7,270	5.75	-	-	-	-
			Other receivables	520,036		-	-	-	-
GCTV	TFNM	Parent	Accounts receivable	3,217	5.75	-	-	-	-
			Other receivables	250,002		-	-	-	-

TABLE 7

## TAIWAN MOBILE CO., LTD.

**NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE  
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 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	\$ 20,765,900	\$ 3,531,541	\$ 3,532,343	Note 1
	WMT	Taiwan	Investment	16,802,000	16,802,000	42,065	100	20,739,363	2,180,997	2,181,298	Note 1
	TVC	Taiwan	Investment	5,000	-	500	100	4,907	(93)	(93)	
	TNH	Taiwan	Building and operating Songsshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,820,444	89,627	47,990	Note 1
	AppWorks	Taiwan	Venture capital, investment consulting, and management consulting	235,000	-	1,275	51	226,123	(46,806)	(9,328)	
	ADT	Taiwan	Technology development of mobile payment and information processing services	60,000	60,000	6,000	14.4	6,072	3,541	(2,564)	
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	59,406,109	3,318,792	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	101,853	51,681	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	227,662	(25,416)	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	30,675,496	6,023	-	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	105,275	10,742	-	Note 2
	TPIA	Taiwan	Property insurance agent	5,000	5,000	500	100	65,448	58,157	-	Note 2
	TFC	Taiwan	Type II telecommunications business	200,000	5,000	20,000	100	197,410	(1,999)	-	Note 2
WMT	TFNM	Taiwan	Type II telecommunications business	5,210,443	5,210,443	230,921	100	6,695,029	1,594,502	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	16,903	20	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	98,433	4,171	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	313,672	55,984	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,321,432	1,393,781	-	Notes 2 and 5
TFN	TUI	Taiwan	Investment	22,314,536	22,314,536	400	100	40,421,727	(59)	-	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	8,626,763	(130)	-	Note 2
TFNM	TKT	Taiwan	Digital music service	156,900	129,900	14,700	100	245,322	(7,529)	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	1,770,106	(146,317)	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	647,082	62,321	-	Notes 2 and 6
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,411,505	121,282	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	1,993,914	22,275	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,284,613	63,657	-	Note 2
	kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	292,500	292,500	29,250	32.5	136,812	(76,139)	-	Note 2
TKT	M.E.	Taiwan	Livestreaming artists management service, digital media production, and media planning	27,000	-	460	15	25,045	(22,512)	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 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	\$ 15,329	\$ 22,275	\$ -	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	96,965	63,657	-	Note 2
momo	Asian Crown (BVI)	British Virgin Islands	Investment	885,285	885,285	9,735	81.99	40,741	142	-	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	630,252	9,592	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	8,791	(304)	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	10,403	1,275	-	Note 2
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	47,826	8,509	-	Note 2
	TPE	Taiwan	Logistics industry	337,860	337,860	16,893	17.7	404,413	158,565	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	121,933	121,933	24,150	35	119,531	36,316	-	Note 2
	Bebe Poshe	Taiwan	Wholesale of cosmetics	85,000	85,000	8,500	85	62,992	(7,532)	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,132,789	11,594	100	45,274	229	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,132,789	11,594	100	45,274	229	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	630,252	9,592	-	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 December 31, 2019.

Note 4: Liquidation procedures of TDC and TFN HK Ltd. 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 8 for details.

(Concluded)

**TABLE 8**

**TAIWAN MOBILE CO., LTD.**  
**INVESTMENTS IN MAINLAND CHINA**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss) (Note 2)	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
					Outflow	Inflow							
TWMC	Mobile application development and design	\$ 90,060 (USD 3,000)	b	\$ 146,254 (USD 4,872)	\$ -	\$ -	\$ 146,254 (USD 4,872)	\$ 1,433	100	\$ 1,433	\$ 77,308	-	
FGE	Wholesaling	333,173 (RMB 77,500)	b	804,040 (USD 14,000) (RMB 89,267)	-	-	804,040 (USD 14,000) (RMB 89,267)	376	76.7	289	30,240	-	
Haobo	Investment	47,289 (RMB 11,000)	b	-	-	-	-	14,261	100	14,261	603,097	-	
GHS	Wholesaling	214,951 (RMB 50,000)	b	-	-	-	-	166,832	20	15,700	560,029	-	

Company	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 3)
\$1,600,012 (USD18,872, RMB89,267 and HKD168,539)	\$1,600,012 (USD18,872, RMB89,267 and HKD168,539)	\$1,600,012 (USD18,872, RMB89,267 and HKD168,539)	\$44,505,765

Note 1: The investment types are as follows:

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

Note 2: The amounts are based on the audited financial statements.

Note 3: The upper limit on investment in Mainland China is calculated by 60% of the consolidated net worth.

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**TAIWAN MOBILE CO., LTD.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

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<b>Item</b>	<b>Summary</b>	<b>Amount</b>
Cash on hand and revolving funds		<u>\$ 57,718</u>
Cash in banks		
Demand deposits		842,939
Foreign currency deposits	(US\$10,921 thousand, at an exchange rate of \$30.02)	327,862
	(EUR1,162 thousand, at an exchange rate of \$33.62)	39,057
Checking accounts deposits		<u>5,164</u>
		<u>1,215,022</u>
		<u>\$ 1,272,740</u>



**TAIWAN MOBILE CO., LTD.**

**STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2019**

**(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Others (Note)	\$ 6,439,871
Less: Allowance for impairment loss	<u>(334,322)</u>
	<u>\$ 6,105,549</u>

Note: The amount of each client was less than 5% of the account balance.

TAIWAN MOBILE CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

	Beginning Balance		Effect of Retrospective Application	Increase in Investment		Decrease in Investment		Adjustments of Investments Accounted for Using Equity Method (Note 2)	Ending Balance			Market Value or Net Assets Value
	Shares (In Thousands)	Amount		Shares (In Thousands)	Amount	Shares (In Thousands)	Amount (Note 1)		Shares (In Thousands)	Percentage of Ownership %	Amount	
TCC	502,970	\$ 19,736,769	\$ 9,862	-	\$ -	-	\$ (3,195,817)	\$ 4,215,086	502,970	100.0	\$ 20,765,900	\$ 91,284,122
WMT	42,065	20,446,559	13,167	-	-	-	(1,835,181)	2,114,818	42,065	100.0	20,739,363	20,739,879
TVC	-	-	-	500	5,000	-	-	(93)	500	100.0	4,907	4,907
TNH	191,866	1,772,825	(371)	-	-	-	-	47,990	191,866	49.9	1,820,444	1,817,550
AppsWork	-	-	-	1,275	235,000	-	-	(8,877)	1,275	51.0	226,123	(11,541)
ADT	6,000	<u>8,636</u>	<u>-</u>	-	<u>-</u>	-	<u>-</u>	<u>(2,564)</u>	6,000	14.4	<u>6,072</u>	6,072
		<u>\$ 41,964,789</u>	<u>\$ 22,658</u>		<u>\$ 240,000</u>		<u>\$ (5,030,998)</u>	<u>\$ 6,366,360</u>			<u>\$ 43,562,809</u>	

- Note 1: The decrease in investments resulted from receiving dividends of investees.
- Note 2: The adjustments of investments accounted for using equity method include the share of the profit or loss and other comprehensive income of subsidiaries and associates, changes in equity of subsidiaries and associates accounted for using equity method and unrealized gain or loss on upstream and downstream intercompany transactions.
- Note 3: None of the investments accounted for using equity method was provided as collateral.

## TAIWAN MOBILE CO., LTD.

STATEMENT OF RIGHT-OF-USE ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 (In Thousands of New Taiwan Dollars)

	Land	Buildings	Telecommuni- cations Equipment and Machinery	Others	Total
<u>Cost</u>					
Balance, January 1, 2019	\$ 600,473	\$ 7,820,405	\$ 478,894	\$ 50,396	\$ 8,950,168
Additions	196,306	2,603,632	35,254	142,156	2,977,348
Remeasurement of lease liabilities	(60)	(5,181)	8,724	6	3,489
Deductions	(27,247)	(431,302)	(21,229)	(32,420)	(512,198)
Others	<u>(2,337)</u>	<u>(9,390)</u>	<u>-</u>	<u>-</u>	<u>(11,727)</u>
Balance, December 31, 2019	<u>\$ 767,135</u>	<u>\$ 9,978,164</u>	<u>\$ 501,643</u>	<u>\$ 160,138</u>	<u>\$ 11,407,080</u>
<u>Accumulated depreciation</u>					
Balance, January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	228,588	3,092,182	82,904	45,336	3,449,010
Deductions	(17,382)	(276,581)	(1,624)	(25,720)	(321,307)
Others	<u>754</u>	<u>232</u>	<u>-</u>	<u>-</u>	<u>986</u>
Balance, December 31, 2019	<u>\$ 211,960</u>	<u>\$ 2,815,833</u>	<u>\$ 81,280</u>	<u>\$ 19,616</u>	<u>\$ 3,128,689</u>
Carrying amount, December 31, 2019	<u>\$ 555,175</u>	<u>\$ 7,162,331</u>	<u>\$ 420,363</u>	<u>\$ 140,522</u>	<u>\$ 8,278,391</u>

## TAIWAN MOBILE CO., LTD.

## STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Loan Type	Amount	Contract Period	Interest Rates	Loan Commitments	Collateral
Unsecured - bank	<u>\$ 14,600,000</u>	2019.10.31-2020.02.27	0.65%-0.95%	<u>\$ 61,703,000</u>	None
Unsecured - related parties					
TFN	7,600,000	2019.07.29-2020.07.28		9,000,000	None
WMT	2,876,000	2019.04.30-2020.04.29	1.09367%-1.09422%	3,500,000	None
TCC	<u>59,000</u>	2019.07.29-2020.07.28		<u>400,000</u>	None
	<u>10,535,000</u>			<u>12,900,000</u>	
	<u>\$ 25,135,000</u>			<u>\$ 74,603,000</u>	

## TAIWAN MOBILE CO., LTD.

## STATEMENT OF SHORT-TERM NOTES AND BILLS PAYABLE

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Institution Providing Guarantee or Acceptance	Contract Period	Interest Rates	Issuing Amount	Discount on Short-term Notes and Bills Payable	Net Carrying Value
Short-term notes and bills payable	China Bills Finance Corporation	2019.12.19-2020.02.27	0.688%	\$ 1,600,000	\$ 1,719	\$ 1,598,281
	Mega Bill Finance Corporation	2019.12.31-2020.01.31	0.688%	<u>300,000</u>	<u>170</u>	<u>299,830</u>
				<u>\$ 1,900,000</u>	<u>\$ 1,889</u>	<u>\$ 1,898,111</u>

**TAIWAN MOBILE CO., LTD.**

**STATEMENT OF ACCOUNTS PAYABLE**

**DECEMBER 31, 2019**

**(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Company A	\$ 915,565
Company B	99,200
Others (Note)	<u>548,153</u>
	<u>\$ 1,562,918</u>

Note: The amount of each vendor was less than 5% of the total account balance.

**TAIWAN MOBILE CO., LTD.****STATEMENT OF OTHER PAYABLES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Equipment and construction	\$ 1,400,100
Salaries and pension	1,086,123
Repair and maintenance expense	802,890
Estimated loss from lawsuits	765,779
Rents and utilities expense	537,301
Commissions	506,402
Compensation to employees	394,092
Others (Note)	<u>1,162,903</u>
	<u>\$ 6,655,590</u>

Note: The amount of each item was less than 5% of the total account balance.

**TAIWAN MOBILE CO., LTD.****STATEMENT OF LONG-TERM BORROWINGS****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

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<b>Creditor</b>	<b>Amount</b>	<b>Contract Period</b>	<b>Interest Rates</b>	<b>Collateral</b>
Sumitomo Mitsui Banking Corporation	\$ 2,500,000	2019.01.31-2021.01.31		None
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000,000	2018.07.30-2021.07.30	0.72%-0.79%	None
Mizuhou Bank, Ltd.	<u>1,500,000</u>	2019.04.14-2021.04.14		None
	<u>\$ 6,000,000</u>			



**TAIWAN MOBILE CO., LTD.****STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

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<b>Item (Target)</b>	<b>Lease Terms</b>	<b>Discount Rates</b>	<b>Amount</b>
Land	1-19 years	0.78%-1%	\$ 552,197
Buildings	1-14 years	0.78%-1%	7,129,239
Telecommunications equipment and machinery	6 years	1%	433,044
Others	1-5 years	0.78%-0.86%	<u>141,687</u>
			<u>\$ 8,256,167</u>

**TAIWAN MOBILE CO., LTD.****STATEMENT OF OPERATING REVENUES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Telecommunications and value-added services revenue (Note 1)	\$ 41,755,400
Sales revenue	18,287,606
Interconnecting revenue (Note 2)	2,205,847
Other operating revenues (Note 3)	<u>177,417</u>
	<u>\$ 62,426,270</u>

Note 1: The amount includes counter-party default revenues and service revenues, etc.

Note 2: The amount includes revenues from the use of TWM's networks and IDD delivery by other telecommunication operators.

Note 3: The amount of each item was less than 5% of the total account balance.

**TAIWAN MOBILE CO., LTD.****STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Cost of goods sold	\$ 19,123,309
Depreciation	8,903,729
Interconnecting cost (Note 1)	6,298,229
Government fees (Note 2)	3,165,820
Others (Note 3)	<u>4,649,380</u>
	<u>\$ 42,140,467</u>

Note 1: The amount includes dedicated line and interconnecting charges paid to other telecommunication service providers.

Note 2: The amount includes the NCC's frequency usage fees, number selections fees, amortization of concession fees, etc.

Note 3: The amount of each item was less than 5% of the total account balance.

**TAIWAN MOBILE CO., LTD.**
**STATEMENT OF MARKETING AND ADMINISTRATIVE EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(In Thousands of New Taiwan Dollars)**


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<b>Item</b>	<b>Marketing</b>	<b>Administrative</b>	<b>Total</b>
Amortization	\$ 2,421,459	\$ 358,277	\$ 2,779,736
Salaries and pension	1,462,871	1,002,929	2,465,800
Professional service fees	1,424,101	241,101	1,665,202
Commissions and mobile phone subsidies	1,095,595	-	1,095,595
Depreciation	631,744	230,359	862,103
Service charges	174,551	386,010	560,561
Others (Note)	<u>895,322</u>	<u>757,451</u>	<u>1,652,773</u>
	<u>\$ 8,105,643</u>	<u>\$ 2,976,127</u>	<u>\$ 11,081,770</u>

Note: The amount of each item was less than 5% of the total account balance.