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:

<u>The Impairment Loss of Property, Plant and Equipment and Intangible Assets (Including Goodwill)</u>

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 Amount	%	December 31, 2018 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	55,358	-	794,125	1
Total current assets	16,835,738	12	17,738,839	13
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)	1,557,482	1	425,939	-
Total non-current assets	122,270,608	88	117,324,361	87
TOTAL	$ 139,106,346	100	$ 135,063,200	100

LIABILITIES AND EQUITY	December 31, 2019 Amount	%	December 31, 2018 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)	1,668,244	1	1,623,249	1
Total current liabilities	42,009,716	30	40,842,446	30
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	336,291	-	347,488	-
Total non-current liabilities	29,079,339	21	32,339,234	24
Total liabilities	71,089,055	51	73,181,680	54
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	(29,717,344)	(21)	(29,717,344)	(22)
Total equity	68,017,291	49	61,881,520	46
TOTAL	$ 139,106,346	100	$ 135,063,200	100

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)	42,140,467	67	43,017,205	66
GROSS PROFIT FROM OPERATIONS	20,285,803	33	22,528,422	34
UNREALIZED GAIN ON SALES	(509)	-	-	-
GROSS PROFIT FROM OPERATIONS, NET	20,285,294	33	22,528,422	34
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	233,546	-	404,943	-
Total operating expenses	11,315,316	18	12,699,653	19
OTHER INCOME AND EXPENSES, NET	228,865	-	636,938	1
OPERATING INCOME	9,198,843	15	10,465,707	16
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	5,749,646	9	5,707,059	9
Total non-operating income and expenses	4,963,642	8	5,071,356	8
PROFIT BEFORE TAX	14,162,485	23	15,537,063	24
INCOME TAX EXPENSE (Note 23)	1,681,318	3	1,894,891	3
NET PROFIT	12,481,167	20	13,642,172	21
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	(10,107)	-	(7,899)	-
Other comprehensive income (after tax)	490,230	1	125,896	-
TOTAL COMPREHENSIVE INCOME	$ 12,971,397	21	$ 13,768,068	21
EARNINGS PER SHARE (Note 24)				
Basic earnings per share	$ 4.51		$ 5.01	
Diluted earnings per share	$ 4.44		$ 4.86	

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)

				Retained Earnings			Other Equity Interests				
	Common Stock	Capital Collected in Advance	Capital Surplus	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 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
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	$ 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

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

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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 INVESTING ACTIVITIES		
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	5,040,733	5,172,812
Net cash generated from (used in) investing activities	(966,995)	1,992,191
CASH FLOWS FROM FINANCING ACTIVITIES		
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	(516,335)	(431,302)
Net cash used in financing activities	(19,502,491)	(21,327,009)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(146,428)	471,814
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,419,168	947,354
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,272,740	$ 1,419,168

The accompanying notes are an integral part of the financial statements. (Concluded)

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:

   <u>IFRS 16 "Leases"</u>

   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	(325,071)
Undiscounted amounts on January 1, 2019	$ 7,800,562
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	478,894
Lease liabilities recognized on January 1, 2019	$ 8,849,384

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:

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Current assets			
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
Non-current assets			
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	(5,726)	420,213
Total effect on assets		$ 8,868,039	
Current liabilities			
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
Non-current liabilities			
Lease liabilities	-	5,829,616	5,829,616
Total effect on liabilities		$ 8,835,434	
Equity			
Unappropriated earnings	16,954,448	$ 32,605	16,987,053
Total effect on equity		$ 32,605	

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to 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.

New IFRSs	Effective Date Announced by IASB (Note)
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

<u>2019</u>

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 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 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.

<u>Telecommunications and value-added services revenue</u>

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.

<u>Revenue from sale of goods</u>

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.

<u>Other operating income</u>

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
	$ 1,272,740	$ 1,419,168

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Investments in equity instruments - current		
Domestic investments		
Listed stocks	$ 239,086	$ 245,607
Investments in equity instruments - non-current		
Domestic investments		
Listed stocks	$ 1,116,360	$ 1,022,960
Foreign investments		
Limited partnerships	462,068	775,385
Unlisted stocks	29,789	28,387
	$ 1,608,217	$ 1,826,732

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	(334,322)	(455,722)
	$ 6,105,549	$ 6,062,929

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 1 to 120 Days	Overdue 121 to 365 Days	Overdue Over 365 Days	Total
Gross carrying amount	$ 5,874,641	$ 381,676	$ 183,554	$ -	$ 6,439,871
Loss allowance (Lifetime ECL)	(49,498)	(110,500)	(174,324)	-	(334,322)
Amortized cost	$ 5,825,143	$ 271,176	$ 9,230	$ -	$ 6,105,549

December 31, 2018

	Not Past Due	Overdue 1 to 120 Days	Overdue 121 to 365 Days	Overdue Over 365 Days	Total
Gross carrying amount	$ 5,849,476	$ 405,234	$ 258,887	$ 5,054	$ 6,518,651
Loss allowance (Lifetime ECL)	(52,287)	(151,659)	(246,722)	(5,054)	(455,722)
Amortized cost	$ 5,797,189	$ 253,575	$ 12,165	$ -	$ 6,062,929

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	For the Year Ended December 31 2018
Beginning balance	$ 455,722	462,692
Add: Provision	235,964	421,236
Recovery	42,061	11,882
Less: Write-off	(399,425)	(440,088)
Ending balance	$ 334,322	$ 455,722

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:

	For the Year Ended December 31	
	2019	2018
Amount of accounts receivable sold	$ 582,455	$ 619,249
Proceeds of the sale of accounts receivable	$ 35,348	$ 37,506

9. INVENTORIES

	December 31	
	2019	2018
Merchandise	$ 3,249,858	$ 2,302,693
Materials for maintenance	7,422	8,787
	$ 3,257,280	$ 2,311,480

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

	December 31	
	2019	2018
Subsidiaries	$ 43,330,614	$ 41,956,153
Associates		
Alliance Digital Tech Co., Ltd. (ADT)	6,072	8,636
AppWorks Ventures Co., Ltd. (AppWorks)	226,123	-
	$ 43,562,809	$ 41,964,789

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:

	December 31	
	2019	2018
TWM's share of:		
Loss	$ (11,892)	$ (5,815)
Other comprehensive income	451	-
Comprehensive loss	$ (11,441)	$ (5,815)

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
Cost						
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	$ 3,163,708	$ 1,989,928	$ 69,612,514	$ 5,124,354	$ 582,127	$ 80,472,631
Accumulated depreciation and impairment						
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	$ -	$ 900,111	$ 55,636,193	$ 4,225,159	$ -	$ 60,761,463
Carrying amount, December 31, 2019	$ 3,163,708	$ 1,089,817	$ 13,976,321	$ 899,195	$ 582,127	$ 19,711,168
Cost						
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	$ 3,192,095	$ 2,023,777	$ 68,229,717	$ 5,096,270	$ 610,043	$ 79,151,902
Accumulated depreciation and impairment						
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	$ 1,662	$ 876,250	$ 51,994,050	$ 4,030,066	$ -	$ 56,902,028
Carrying amount, December 31, 2018	$ 3,190,433	$ 1,147,527	$ 16,235,667	$ 1,066,204	$ 610,043	$ 22,249,874

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

	December 31, 2019
Carrying amounts	
Land	$ 555,175
Buildings	7,162,331
Telecommunications equipment and machinery	420,363
Others	140,522
	$ 8,278,391

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 2,980,837
Depreciation charge for right-of-use assets	
Land	$ 228,588
Buildings	3,092,182
Telecommunications equipment and machinery	82,904
Others	45,336
	$ 3,449,010

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 3,060,243
Non-current	$ 5,195,924

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	$ 12,154
Expenses related to low-value asset leases	$ 59,235
Expenses related to variable lease payments and not included in the measurement of lease liabilities	$ 5,607
Total cash outflow for leases	$ (3,521,686)

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:

	December 31, 2018
Less than one year	$ 3,045,816
Between one and five years	5,126,162
More than five years	15,127
	$ 8,187,105

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:

	For the Year Ended December 31, 2018
Minimum lease payments	$ 3,566,474
Receipts from subleases	(10,339)
	$ 3,556,135

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:

	December 31, 2019
Year 1	$ 170,166
Year 2	146,297
Year 3	135,155
Year 4	82,100
Year 5	28,521
Year 6 and thereafter	51,310
	$ 613,549

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:

	December 31, 2018
Less than one year	$ 168,784
Between one and five years	526,774
More than five years	79,298
	$ 774,856

14. INTANGIBLE ASSETS

	Concession Licenses	Goodwill	Other Intangible Assets: Computer Software	Other Intangible Assets: Copyrights	Total
Cost					
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	-	-	125,985	-	125,985
Balance, December 31, 2019	$ 41,043,375	$ 7,121,871	$ 3,316,424	$ 6,000	$ 51,487,670
Accumulated amortization and impairment					
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	-	-	(67,976)	-	(67,976)
Balance, December 31, 2019	$ 10,303,927	$ -	$ 2,876,828	$ 6,000	$ 13,186,755
Carrying amount, December 31, 2019	$ 30,739,448	$ 7,121,871	$ 439,596	$ -	$ 38,300,915

(Continued)

	Concession Licenses	Goodwill	Other Intangible Assets		Total
			Computer Software	Copyrights	
Cost					
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	-	-	200,789	5,400	206,189
Balance, December 31, 2018	$ 41,043,375	$ 7,121,871	$ 3,128,758	$ 6,000	$ 51,300,004
Accumulated amortization and impairment					
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	(10,156,382)	-	(98,629)	-	(10,255,011)
Balance, December 31, 2018	$ 7,663,274	$ -	$ 2,578,858	$ 4,800	$ 10,246,932
Carrying amount, December 31, 2018	$ 33,380,101	$ 7,121,871	$ 549,900	$ 1,200	$ 41,053,072

(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

	December 31	
	2019	**2018**
Refundable deposits (Note)	$ 1,391,076	$ 400,797
Prepayments for investment	100,000	-
Prepayments for equipment	58,916	24,422
Others	7,490	720
	$ 1,557,482	$ 425,939

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

	December 31	
	2019	**2018**
Unsecured loans - financing institution	$ 14,600,000	$ 9,300,000
Unsecured loans - related parties	10,535,000	9,988,000
	$ 25,135,000	$ 19,288,000
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

	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	(1,889)	(1,008)
	$ 1,898,111	$ 1,498,992
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
Less: Current portion	-	(2,000,000)
	$ 6,000,000	$ 6,000,000
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

	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)
	$ 15,903,436	$ 24,419,137

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	9,000,000
	$ 15,000,000

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	(35,961)
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	(305,584)
Liability component on December 31, 2018	9,432,780
Interest charged at an effective interest rate	47,272
Convertible bonds converted into common stock	(8,565,530)
Liability component on December 31, 2019	$ 914,522

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	40,111	67,929
	$ 776,451	$ 810,952
Current	$ 64,020	$ 91,836
Non-current	712,431	719,116
	$ 776,451	$ 810,952

	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	1,134	-	1,134
Balance, December 31, 2019	$ 736,340	$ 40,111	$ 776,451
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	2,026	-	2,026
Balance, December 31, 2018	$ 743,023	$ 67,929	$ 810,952

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:

	December 31	
	2019	**2018**
Present value of defined benefit obligations	$ 908,961	$ 845,191
Fair value of plan assets	(601,355)	(563,028)
Net defined benefit liabilities	$ 307,606	$ 282,163

The movements in present value of defined benefit obligations for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	**2018**
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	(7,656)	(18,651)
Balance, December 31	$ 908,961	$ 845,191

The movements in the fair value of the plan assets for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	2018
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	(7,656)	(18,651)
Balance, December 31	$ 601,355	$ 563,028

The expenses recognized in profit or loss for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	2018
Current service costs	$ 1,435	$ 1,363
Interest costs	10,565	11,344
Net interest income	(7,171)	(8,250)
	$ 4,829	$ 4,457

The pre-tax remeasurements recognized in other comprehensive income (loss) for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	2018
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	(4,595)	13,873
	$ 41,130	$ 81,456

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:

	December 31	
	2019	**2018**
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:

	December 31	
	2019	**2018**
Discount rate		
0.25% increase	$ (30,468)	$ (30,042)
0.25% decrease	$ 31,780	$ 31,392
Long-term average adjustment rate of salary		
0.25% increase	$ 30,699	$ 30,453
0.25% decrease	$ (29,599)	$ (29,306)

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.

	December 31	
	2019	**2018**
The expected contributions to the Plan for the following year	$ 20,956	$ 21,293
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

	December 31	
	2019	2018
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	34,950	33,968
	$ 20,274,694	$ 12,580,692

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

c. Appropriation of earnings and dividend policy

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

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

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

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

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

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

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

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

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

	Exchange Differences on Translation	**Unrealized Gain (Loss) on Financial Assets at FVTOCI**	**Unrealized Gain (Loss) on Available-for-sale Financial Assets**	**Total**
Balance, January 1, 2019	$ (24,398)	$ (70,983)	$ -	$ (95,381)
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	-	62,383	-	62,383
Balance, December 31, 2019	$ (34,505)	$ 473,410	$ -	$ 438,905

(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	-	(281,785)	346,204	64,419
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	-	2,829	-	2,829
Balance, December 31, 2018	$ (24,398)	$ (70,983)	$ -	$ (95,381)

(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

	For the Year Ended December 31	
	2019	2018
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	177,417	165,986
	$ 62,426,270	$ 65,545,627

a. Contract information

Please refer to Note 4.

b. Contract balances

	December 31	
	2019	2018
Contract assets		
Bundle sales	$ 8,356,511	$ 8,735,048
Less: Allowance for impairment loss	(71,030)	(74,248)
	$ 8,285,481	$ 8,660,800
Current	$ 4,827,361	$ 5,460,190
Non-current	3,458,120	3,200,610
	$ 8,285,481	$ 8,660,800

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

	December 31	
	2019	2018
Contract liabilities - current		
Telecommunications and value-added services	$ 1,033,941	$ 1,126,758
Sales of goods	7,441	25,573
	$ 1,041,382	$ 1,152,331

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:

	December 31	
	2019	2018
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:

	For the Year Ended December 31	
	2019	2018
Beginning balance	$ 74,248	$ 90,541
Less: Recovery	(3,218)	(16,293)
Ending balance	$ 71,030	$ 74,248

Revenue of the reporting period recognized from the beginning contract liabilities is as follows:

	For the Year Ended December 31	
	2019	**2018**
Contract liabilities		
Telecommunications and value-added services	$ 1,031,299	$ 1,562,257
Sales of goods	24,263	21,211
	$ 1,055,562	$ 1,583,468

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:

	In 2020	**In 2021**	**After 2021**	**Total**
December 31, 2019				
Telecommunications and Value-added Services	$ 13,678,048	$ 6,397,878	$ 694,539	$ 20,770,465

	In 2019	**In 2020**	**After 2020**	**Total**
December 31, 2018				
Telecommunications and Value-added Services	$ 17,249,374	$ 7,739,781	$ 984,436	$ 25,973,591

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

	December 31	
	2019	**2018**
Incremental costs of obtaining a contract - non-current	$ 2,039,338	$ 2,884,482

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

	For the Year Ended December 31	
	2019	2018
Rental income	$ -	$ 52,344
Interest income	55,988	12,331
Dividend income	9,735	10,424
Other income	10,339	6,934
	$ 76,062	$ 82,033

b. Other gains and losses, net

	For the Year Ended December 31	
	2019	2018
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	(2,281)	(3,021)
	$ (296,273)	$ (120,385)

c. Finance costs

	For the Year Ended December 31	
	2019	2018
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	13,776	23,929
	570,739	603,372
Less: Capitalized interest	(4,946)	(6,021)
	$ 565,793	$ 597,351
Capitalization rates	1.34%	1.34%

23. INCOME TAX

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2019	2018
Current income tax expense		
Current period	$ 1,573,194	$ 1,715,616
Prior years' adjustment	47,590	3,472
Others	(10,554)	(41,450)
	1,610,230	1,677,638
Deferred income tax expense		
Temporary differences	71,088	241,829
Changes in tax rates	-	(24,576)
	71,088	217,253
Income tax expense	$ 1,681,318	$ 1,894,891

The reconciliation of profit before tax to income tax expense was as follows:

	For the Year Ended December 31	
	2019	2018
Profit before tax	$ 14,162,485	$ 15,537,063
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	(10,554)	(41,450)
	$ 1,681,318	$ 1,894,891

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)

	For the Year Ended December 31	
	2019	2018
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	-	9,298
	$ 70,609	$ 28,418

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:

	For the Year Ended December 31, 2019				
			Recognized in		
	Opening Balance	Effect of Application	Profit or Loss	Other Comprehensive Income (Loss)	Closing Balance
Deferred tax assets					
Property, plant and equipment	$ 288,138	$ -	$ (16,575)	$ -	$ 271,563
Defined benefit plans	56,433	-	(3,138)	8,226	61,521
Others	222,972	(2,487)	2,807	62,383	285,675
	$ 567,543	$ (2,487)	$ (16,906)	$ 70,609	$ 618,759
Deferred tax liabilities					
Intangible assets	$ 568,623	$ -	$ 55,028	$ -	$ 623,651
Others	846	-	(846)	-	-
	$ 569,469	$ -	$ 54,182	$ -	$ 623,651

	For the Year Ended December 31, 2018			
		Recognized in		
	Opening Balance	Profit or Loss	Other Comprehensive Income (Loss)	Closing Balance
Deferred tax assets				
Property, plant and equipment	$ 388,872	$ (100,734)	$ -	$ 288,138
Defined benefit plans	36,901	(6,057)	25,589	56,433
Others	202,736	17,407	2,829	222,972
	$ 628,509	$ (89,384)	$ 28,418	$ 567,543
Deferred tax liabilities				
Intangible assets	$ 436,556	$ 132,067	$ -	$ 568,623
Others	5,044	(4,198)	-	846
	$ 441,600	$ 127,869	$ -	$ 569,469

d. The income tax returns through 2017 have been examined and cleared by the tax authorities.

24. EARNINGS PER SHARE

	For the Year Ended December 31, 2019		
	Amount After Income Tax	Weighted-average Number of Common Stock	EPS
Basic EPS			
Profit attributable to stockholders	$ 12,481,167	2,767,709	$ 4.51
Effect of potential dilutive common stock:			
Employees' compensation	-	3,863	
Convertible bonds	45,453	52,208	
Diluted EPS			
Profit attributable to stockholders (adjusted for potential effect of common stock)	$ 12,526,620	2,823,780	$ 4.44

	For the Year Ended December 31, 2018		
	Amount After Income Tax	Weighted-average Number of Common Stock	EPS
Basic EPS			
Profit attributable to stockholders	$ 13,642,172	2,722,519	$ 5.01
Effect of potential dilutive common stock:			
Employees' compensation	-	4,405	
Convertible bonds	80,227	95,073	
Diluted EPS			
Profit attributable to stockholders (adjusted for potential effect of common stock)	$ 13,722,399	2,821,997	$ 4.86

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

	Opening Balance	Cash Flows	Non-cash Changes		Closing Balance
			New Leases	Others	
Lease liabilities (including current and non-current portions)	$ 8,849,384	$ (3,429,457)	$ 2,967,297	$ (131,057)	$ 8,256,167

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

	December 31	
	2019	2018
Financial assets		
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)	9,707,843	9,112,242
Total	$ 11,555,146	$ 11,184,581
Financial liabilities		
Financial liabilities measured at amortized cost (including current and non-current portions) (Note 2)	$ 57,779,271	$ 66,971,881
Financial liabilities at FVTPL	-	1,861
Total	$ 57,779,271	$ 66,973,742

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.

	December 31			
	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
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
Financial assets at FVTOCI				
Equity instruments				
Domestic listed stocks	$ 1,355,446	$ -	$ -	$ 1,355,446
Limited partnerships	-	-	462,068	462,068
Foreign unlisted stocks	-	-	29,789	29,789
	$ 1,355,446	$ -	$ 491,857	$ 1,847,303

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Equity instruments				
Domestic listed stocks	$ 1,268,567	$ -	$ -	$ 1,268,567
Limited partnerships	-	-	775,385	775,385
Foreign unlisted stocks	-	-	28,387	28,387
	$ 1,268,567	$ -	$ 803,772	$ 2,072,339
Financial liabilities at FVTPL	$ -	$ 1,861	$ -	$ 1,861

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

	Financial Assets at FVTOCI - Equity Instruments
Balance at January 1, 2019	$ 803,772
Recognized in other comprehensive income (unrealized loss on financial assets at FVTOCI)	(311,915)
Balance at December 31, 2019	$ 491,857

For the Year Ended December 31, 2018

	Financial Assets at FVTOCI - Equity Instruments
Balance at January 1, 2018	$ 792,115
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	11,657
Balance at December 31, 2018	$ 803,772

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.

	Contractual Cash Flows	Within 1 Year	1-5 Years	More Than 5 Years
December 31, 2019				
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	8,371,445	3,117,112	5,233,247	21,086
	$ 58,260,030	$ 30,458,769	$ 18,690,175	$ 9,111,086
December 31, 2018				
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	30,130,500	4,701,180	16,249,320	9,180,000
	$ 59,125,026	$ 27,661,696	$ 22,283,330	$ 9,180,000

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:

	December 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Foreign currency assets			
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
Foreign currency liabilities			
Monetary items			
USD	4,744	30.02	142,424
EUR	32	33.62	1,073

	December 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Foreign currency assets			
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
Foreign currency liabilities			
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:

	December 31	
	2019	**2018**
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)

Related Party	Nature of Relationship
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

	For the Year Ended December 31	
	2019	2018
Subsidiaries	$ 1,627,727	$ 576,970
Associates	19,440	18,304
Other related parties	251,424	476,029
	$ 1,898,591	$ 1,071,303

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

	For the Year Ended December 31	
	2019	2018
Subsidiaries		
TFN	$ 4,432,345	$ 4,773,634
Others	461,639	496,089
Associates	2,835	2,749
Other related parties	124,480	589,871
	$ 5,021,299	$ 5,862,343

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	31,617	72,699
		$ 285,763	$ 136,698
Other receivables	Subsidiaries	$ 37,615	$ 70,316
Other receivables	Other related parties	27,492	19,438
		$ 65,107	$ 89,754

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	10,183	50,997
		$ 172,003	$ 224,981
Other payables	Subsidiaries	$ 495,321	$ 558,474

5) Transaction of property

Disposals of property, plant and equipment

	2019		2018	
	Proceeds	Gain (Loss) on Disposal	Proceeds	Gain (Loss) on Disposal
Subsidiaries				
TKT	$ 14,770	$ -	$ 11,094	$ -

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	59,000	390,000
	$ 10,535,000	$ 9,988,000

The rate on borrowings from related parties was equivalent to the rate in the market.

7) Bank deposits and other financial assets

	December 31	
	2019	2018
Other related parties		
TFCB	$ 293,607	$ 239,323

8) Equity purchase transaction

Related Party	Transaction Date	Target	Shares (In Thousands)	Purchase Price
Jamie Lin, President of TWM	September 2019	AppWorks	387	$ 62,000

9) Others

	December 31	
	2019	2018
Guarantee deposits		
Subsidiaries	$ 18,071	$ 18,840
Other current liabilities - receipts under custody		
Subsidiaries	$ 50,371	$ 46,993
Other related parties	123,993	69,057
	$ 174,364	$ 116,050

	For the Year Ended December 31	
	2019	2018
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	32,954	63,268
	$ 1,400,492	$ 1,606,625

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:

	For the Year Ended December 31	
	2019	2018
Amounts received		
Subsidiaries	$ 342,257	$ 322,828

For the years ended December 31, 2019 and 2018, TWM's service charges paid were as follows:

	For the Year Ended December 31	
	2019	2018
Amounts paid		
Subsidiaries	$ 69,841	$ 64,968

	For the Year Ended December 31	
	2019	2018
Non-operating income		
Subsidiaries		
momo	$ -	$ 45,284

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.

	For the Year Ended December 31	
	2019	2018
Non-operating expense		
Subsidiaries		
TFN	$ 81,219	$ 73,340
Others	31,073	26,656
	$ 112,292	$ 99,996

10) Lease arrangements

<u>Acquisition of right-of-use assets</u>

	For the Year Ended December 31, 2019
Subsidiaries	$ 40,262
Other related parties	44,265
	$ 84,527

Lease liabilities (including current and non-current portions)

	December 31, 2019
Subsidiaries	$ 627,850
Other related parties	61,079
	$ 688,929

Interest expenses

	For the Year Ended December 31, 2019
Subsidiaries	$ 6,695
Other related parties	778
	$ 7,473

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:

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 224,042	$ 240,192
Termination and post-employment benefits	16,528	1,698
	$ 240,570	$ 241,890

29. ASSETS PLEDGED

The assets pledged as collateral for loan commitments were as follows:

	December 31	
	2019	2018
Other current financial assets	$ 20,893	$ 9,409
Other non-current financial assets	480	720
	$ 21,373	$ 10,129

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	$ 437,880	$ 43,788	$ 459,368	$ 45,937
Amounts recognized in the 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.

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.

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	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
		TFC	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	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
		TKT	Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,295,952	8,295,952	Note 2
		TFNM	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
		WTVB	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	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
		TCC	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	Note 2	$ 42,000,000	$ 21,500,000	$ 21,500,000	$ 8,451,300	$ -	31.61	$ 68,017,291	Y	N	N	Notes 3 and 4
		TKT	Note 2	313,800	50,000	50,000	50,000	-	0.07	68,017,291	Y	N	N	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	Stock							
	Chunghwa Telecom Co., Ltd.	-	Current financial assets at FVTOCI	2,174	$ 239,086	0.028	$ 239,086	
	Asia Pacific Telecom Co., Ltd.	-	Non-current financial assets at FVTOCI	148,255	1,116,360	2.55	1,116,360	Note 1
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at FVTOCI	800	29,789	10	29,789	
	Limited Partnerships							
	Grand Academy Investment, L.P.	-	Non-current financial assets at FVTOCI	-	367,115	21.67	367,115	Note 2
	Starview Heights Investment, L.P.	-	Non-current financial assets at FVTOCI	-	94,953	21.67	94,953	Note 2
TCC	Stock							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at FVTOCI	6,998	85,867	5.21	85,867	
WMT	Limited Partnerships							
	The Last Thieves, L.P.	-	Current financial assets at FVTPL	-	149	7.14	149	Note 2
TFN	Stock							
	Taiwan High Speed Rail Corporation	-	Non-current financial assets at FVTOCI	90,212	3,464,156	1.6	3,464,156	
TCCI	Stock							
	TWM	TWM	Non-current financial assets at FVTOCI	200,497	22,455,637	5.71	22,455,637	
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at FVTOCI	10,000	38,064	6.67	38,064	
TUI	Stock							
	TWM	TWM	Non-current financial assets at FVTOCI	410,665	45,994,512	11.7	45,994,512	
TID	Stock							
	TWM	TWM	Non-current financial assets at FVTOCI	87,590	9,810,030	2.5	9,810,030	
TFNM	Beneficiary Certificates							
	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	Stock							
	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)

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

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
			Purchase	4,443,314	(Note 2)	Based on contract terms	-	-	(398,965)	(Note 4)	Note 5
	TT&T	Subsidiary	Purchase	1,030,475	(Note 2)	Based on contract terms	-	-	(83,523)	(Note 4)	
	TPIA	Subsidiary	Sale	119,944	-	Based on contract terms	-	-	55,784	1	
	TKT	Subsidiary	Purchase	270,393	(Note 2)	Based on contract terms	-	-	(59,888)	(Note 4)	
	momo	Subsidiary	Sale	1,155,242	2	Based on contract terms	-	-	185,737	3	
			Purchase	157,676	-	Based on contract terms	-	-	(27,818)	2	
	Fubon Ins.	Other related party	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	
TFN	TWM	Ultimate parent	Sale	4,479,607	48	Based on contract terms	-	-	398,965	38	Note 5
			Purchase	322,688	(Note 2)	Based on contract terms	-	-	(7,631)	(Note 4)	Note 5
	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 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.

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 INVESTEES 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 Songshan 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.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

TAIWAN MOBILE CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Summary	Amount
Cash on hand and revolving funds		$ 57,718
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		5,164
		1,215,022
		$ 1,272,740

STATEMENT 2

TAIWAN MOBILE CO., LTD.

STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Others (Note)	$ 6,439,871
Less: Allowance for impairment loss	(334,322)
	$ 6,105,549

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	Increase in Investment		Decrease in Investment		Adjustments of Investments Accounted for Using	Ending Balance			Market Value
	Shares (In Thousands)	Amount	Retrospective Application	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount (Note 1)	Equity Method (Note 2)	Shares (In Thousands)	Percentage of Ownership %	Amount	or Net Assets Value
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	8,636	-	-	-	-	-	(2,564)	6,000	14.4	6,072	6,072
		$ 41,964,789	$ 22,658		$ 240,000		$ (5,030,998)	$ 6,366,360			$ 43,562,809	

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
Cost					
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	(2,337)	(9,390)	-	-	(11,727)
Balance, December 31, 2019	$ 767,135	$ 9,978,164	$ 501,643	$ 160,138	$ 11,407,080
Accumulated depreciation					
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	754	232	-	-	986
Balance, December 31, 2019	$ 211,960	$ 2,815,833	$ 81,280	$ 19,616	$ 3,128,689
Carrying amount, December 31, 2019	$ 555,175	$ 7,162,331	$ 420,363	$ 140,522	$ 8,278,391

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	$ 14,600,000	2019.10.31-2020.02.27	0.65%-0.95%	$ 61,703,000	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	59,000	2019.07.29-2020.07.28		400,000	None
	10,535,000			12,900,000	
	$ 25,135,000			$ 74,603,000	

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%	300,000	170	299,830
				$ 1,900,000	$ 1,889	$ 1,898,111

TAIWAN MOBILE CO., LTD.

STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Company A	$ 915,565
Company B	99,200
Others (Note)	548,153
	$ 1,562,918

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)

Item	Amount
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)	1,162,903
	$ 6,655,590

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)

Creditor	Amount	Contract Period	Interest Rates	Collateral
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.	1,500,000	2019.04.14-2021.04.14		None
	$ 6,000,000			

TAIWAN MOBILE CO., LTD.

STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item (Target)	Lease Terms	Discount Rates	Amount
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%	141,687
			$ 8,256,167

TAIWAN MOBILE CO., LTD.

STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
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)	177,417
	$ 62,426,270

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.

STATEMENT 12

TAIWAN MOBILE CO., LTD.

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
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)	4,649,380
	$ 42,140,467

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.

STATEMENT 13

TAIWAN MOBILE CO., LTD.

STATEMENT OF MARKETING AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Marketing	Administrative	Total
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)	895,322	757,451	1,652,773
	$ 8,105,643	$ 2,976,127	$ 11,081,770

Note: The amount of each item was less than 5% of the total account balance.