

Taiwan Mobile Co., Ltd. and Subsidiaries

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

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

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

Scope of Review

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

Conclusion

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 6, 2020

Notice to Readers

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

| ASSETS | September 30, 2020 (Reviewed) | | December 31, 2019 (Audited) | | September 30, 2019 (Reviewed) | | LIABILITIES AND EQUITY | September 30, 2020 (Reviewed) | | December 31, 2019 (Audited) | | September 30, 2019 (Reviewed) | |
|--|----------------------------------|------------|--------------------------------|------------|----------------------------------|------------|--|----------------------------------|------------|--------------------------------|------------|----------------------------------|------------|
| | Amount | % | Amount | % | Amount | % | | Amount | % | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | | | CURRENT LIABILITIES | | | | | | |
| Cash and cash equivalents (Notes 6 and 29) | \$ 10,458,046 | 6 | \$ 8,663,370 | 6 | \$ 13,023,288 | 8 | Short-term borrowings (Note 17) | \$ 15,100,000 | 8 | \$ 16,270,000 | 11 | \$ 15,670,000 | 10 |
| Financial assets at fair value through profit or loss (Note 29) | - | - | 149 | - | - | - | Short-term notes and bills payable (Note 17) | 17,289,545 | 10 | 1,898,111 | 1 | 1,200,000 | 1 |
| Financial assets at fair value through other comprehensive income (Note 7) | 1,610,652 | 1 | 246,493 | - | 249,034 | - | Contract liabilities (Note 22) | 1,701,749 | 1 | 1,807,407 | 1 | 1,726,286 | 1 |
| Contract assets (Note 22) | 4,610,329 | 3 | 4,832,043 | 3 | 4,911,308 | 3 | Notes and accounts payable | 8,396,236 | 5 | 7,660,285 | 5 | 11,897,943 | 7 |
| Notes and accounts receivable, net (Note 8) | 7,277,145 | 4 | 7,671,838 | 5 | 7,585,200 | 5 | Accounts payable due to related parties (Note 29) | 138,601 | - | 135,162 | - | 180,126 | - |
| Accounts receivable due from related parties (Note 29) | 168,665 | - | 146,186 | - | 155,872 | - | Other payables (Note 29) | 10,385,029 | 6 | 8,823,705 | 6 | 8,387,740 | 5 |
| Other receivables (Note 29) | 1,387,608 | 1 | 1,418,485 | 1 | 2,151,715 | 2 | Current tax liabilities | 1,395,178 | 1 | 1,539,638 | 1 | 2,561,672 | 2 |
| Inventories (Note 9) | 4,885,413 | 3 | 5,670,476 | 4 | 4,706,877 | 3 | Provisions (Note 19) | 60,335 | - | 88,961 | - | 102,327 | - |
| Prepayments (Note 29) | 817,885 | - | 463,334 | - | 738,341 | 1 | Lease liabilities (Notes 13, 26 and 29) | 3,466,731 | 2 | 3,532,951 | 2 | 3,525,545 | 2 |
| Assets held for sale | 30,615 | - | - | - | - | - | Advance receipts | 198,275 | - | 87,410 | - | 119,946 | - |
| Other financial assets (Notes 29 and 30) | 677,356 | - | 592,868 | - | 600,461 | - | Long-term liabilities, current portion (Notes 17 and 18) | 2,303,351 | 1 | 303,297 | - | 4,803,227 | 3 |
| Other current assets | 126,421 | - | 200,458 | - | 106,576 | - | Other current liabilities (Note 29) | 2,472,973 | 1 | 2,376,029 | 2 | 2,482,571 | 2 |
| Total current assets | 32,050,135 | 18 | 29,905,700 | 19 | 34,228,672 | 22 | Total current liabilities | 62,908,003 | 35 | 44,522,956 | 29 | 52,657,383 | 33 |
| NON-CURRENT ASSETS | | | | | | | NON-CURRENT LIABILITIES | | | | | | |
| Financial assets at fair value through profit or loss | - | - | - | - | 2,500 | - | Contract liabilities (Note 22) | 51,588 | - | 45,293 | - | 47,871 | - |
| Financial assets at fair value through other comprehensive income (Note 7) | 1,948,156 | 1 | 5,245,888 | 4 | 4,786,983 | 3 | Bonds payable (Note 18) | 35,602,395 | 20 | 15,903,436 | 10 | 17,214,347 | 11 |
| Contract assets (Note 22) | 3,100,897 | 2 | 3,463,456 | 2 | 3,506,891 | 2 | Long-term borrowings (Note 17) | 2,383,511 | 1 | 8,586,076 | 6 | 8,636,924 | 5 |
| Investments accounted for using equity method (Notes 10 and 29) | 1,848,260 | 1 | 1,478,025 | 1 | 1,640,080 | 1 | Provisions (Note 19) | 1,501,571 | 1 | 1,459,270 | 1 | 1,448,562 | 1 |
| Property, plant and equipment (Note 12) | 38,592,413 | 21 | 36,182,005 | 24 | 36,990,076 | 23 | Deferred tax liabilities | 1,042,650 | - | 977,560 | 1 | 960,745 | 1 |
| Right-of-use assets (Notes 13 and 29) | 9,010,505 | 5 | 9,657,938 | 6 | 9,930,778 | 6 | Lease liabilities (Notes 13, 26 and 29) | 5,518,479 | 3 | 6,117,438 | 4 | 6,373,530 | 4 |
| Investment properties (Note 14) | 2,770,780 | 2 | 2,984,057 | 2 | 2,978,278 | 2 | Net defined benefit liabilities | 493,079 | - | 517,175 | - | 471,530 | - |
| Concessions (Notes 15 and 30) | 65,879,630 | 36 | 37,709,501 | 24 | 38,414,344 | 24 | Guarantee deposits | 1,153,460 | 1 | 1,092,364 | 1 | 1,093,515 | 1 |
| Goodwill (Note 15) | 15,832,440 | 9 | 15,832,440 | 10 | 15,872,595 | 10 | Other non-current liabilities | 462,537 | - | 522,116 | - | 522,124 | - |
| Other intangible assets (Note 15) | 5,275,420 | 3 | 5,536,534 | 4 | 5,548,621 | 3 | Total non-current liabilities | 48,209,270 | 26 | 35,220,728 | 23 | 36,769,148 | 23 |
| Deferred tax assets | 768,906 | - | 839,240 | 1 | 805,778 | 1 | Total liabilities | 111,117,273 | 61 | 79,743,684 | 52 | 89,426,531 | 56 |
| Incremental costs of obtaining a contract (Note 22) | 1,780,975 | 1 | 2,119,052 | 1 | 2,243,280 | 2 | EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 21) | | | | | | |
| Other financial assets (Notes 29, 30 and 31) | 307,067 | - | 271,653 | - | 208,224 | - | Common stock | 35,093,765 | 19 | 34,959,441 | 23 | 34,679,531 | 22 |
| Other non-current assets (Notes 16 and 29) | 1,571,058 | 1 | 2,694,470 | 2 | 1,672,806 | 1 | Capital collected in advance | 30,450 | - | 134,104 | - | 279,910 | - |
| Total non-current assets | 148,686,507 | 82 | 124,014,259 | 81 | 124,601,234 | 78 | Capital surplus | 18,937,441 | 10 | 20,274,694 | 13 | 19,110,633 | 12 |
| | | | | | | | Retained earnings | | | | | | |
| | | | | | | | Legal reserve | 30,170,398 | 17 | 28,922,281 | 19 | 28,922,281 | 18 |
| | | | | | | | Special reserve | - | - | 95,381 | - | 95,381 | - |
| | | | | | | | Unappropriated earnings | 10,329,388 | 6 | 12,909,829 | 8 | 10,054,123 | 6 |
| | | | | | | | Other equity interests | (1,496,880) | (1) | 438,905 | - | (26,166) | - |
| | | | | | | | Treasury stock | (29,717,344) | (16) | (29,717,344) | (19) | (29,717,344) | (18) |
| | | | | | | | Total equity attributable to owners of the parent | 63,347,218 | 35 | 68,017,291 | 44 | 63,398,349 | 40 |
| | | | | | | | NON-CONTROLLING INTERESTS (Note 21) | 6,272,151 | 4 | 6,158,984 | 4 | 6,005,026 | 4 |
| | | | | | | | Total equity | 69,619,369 | 39 | 74,176,275 | 48 | 69,403,375 | 44 |
| TOTAL | \$ 180,736,642 | 100 | \$ 153,919,959 | 100 | \$ 158,829,906 | 100 | TOTAL | \$ 180,736,642 | 100 | \$ 153,919,959 | 100 | \$ 158,829,906 | 100 |

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

| | For the Three Months Ended September 30 | | | | For the Nine Months Ended September 30 | | | |
|--|---|------------|---------------------------------|------------|--|------------|---------------------------------|-----------|
| | 2020 | | 2019 | | 2020 | | 2019 | |
| | Amount | % | Reclassified (Note 3) Amount | % | Amount | % | Reclassified (Note 3) Amount | % |
| OPERATING REVENUES (Notes 22, 29 and 34) | \$ 31,242,977 | 100 | \$ 30,825,915 | 100 | \$ 94,437,295 | 100 | \$ 90,313,139 | 100 |
| OPERATING COSTS (Notes 9, 29, 32 and 34) | <u>23,724,197</u> | <u>76</u> | <u>22,691,898</u> | <u>74</u> | <u>70,714,635</u> | <u>75</u> | <u>65,863,707</u> | <u>73</u> |
| GROSS PROFIT FROM OPERATIONS | <u>7,518,780</u> | <u>24</u> | <u>8,134,017</u> | <u>26</u> | <u>23,722,660</u> | <u>25</u> | <u>24,449,432</u> | <u>27</u> |
| OPERATING EXPENSES (Notes 29, 32 and 34) | | | | | | | | |
| Marketing | 2,435,714 | 8 | 2,593,839 | 8 | 7,346,778 | 8 | 7,865,130 | 9 |
| Administrative | 1,259,265 | 4 | 1,266,748 | 4 | 3,878,281 | 4 | 3,816,633 | 4 |
| Research and development | 54,333 | - | 41,060 | - | 157,913 | - | 115,913 | - |
| Expected credit loss | <u>50,309</u> | <u>-</u> | <u>70,930</u> | <u>-</u> | <u>134,523</u> | <u>-</u> | <u>196,059</u> | <u>-</u> |
| Total operating expenses | <u>3,799,621</u> | <u>12</u> | <u>3,972,577</u> | <u>12</u> | <u>11,517,495</u> | <u>12</u> | <u>11,993,735</u> | <u>13</u> |
| OTHER INCOME AND EXPENSES, NET (Notes 29 and 34) | <u>123,599</u> | <u>-</u> | <u>114,973</u> | <u>-</u> | <u>252,270</u> | <u>-</u> | <u>374,780</u> | <u>-</u> |
| OPERATING INCOME (Note 34) | <u>3,842,758</u> | <u>12</u> | <u>4,276,413</u> | <u>14</u> | <u>12,457,435</u> | <u>13</u> | <u>12,830,477</u> | <u>14</u> |
| NON-OPERATING INCOME AND EXPENSES | | | | | | | | |
| Interest income (Note 29) | 14,548 | - | 16,826 | - | 50,537 | - | 51,096 | - |
| Other income (Note 23) | 97,752 | - | 130,160 | - | 116,055 | - | 173,232 | - |
| Other gains and losses, net (Notes 23 and 29) | (7,071) | - | (28,175) | - | 32,267 | - | (66,113) | - |
| Finance costs (Note 23) | (157,022) | - | (141,920) | - | (459,372) | - | (433,638) | - |
| Share of profit (loss) of associates accounted for using equity method | <u>16,649</u> | <u>-</u> | <u>(522)</u> | <u>-</u> | <u>68,475</u> | <u>-</u> | <u>11,159</u> | <u>-</u> |
| Total non-operating income and expenses | <u>(35,144)</u> | <u>-</u> | <u>(23,631)</u> | <u>-</u> | <u>(192,038)</u> | <u>-</u> | <u>(264,264)</u> | <u>-</u> |
| PROFIT BEFORE TAX | 3,807,614 | 12 | 4,252,782 | 14 | 12,265,397 | 13 | 12,566,213 | 14 |
| INCOME TAX EXPENSE (Note 24) | <u>743,749</u> | <u>2</u> | <u>840,738</u> | <u>3</u> | <u>2,322,095</u> | <u>2</u> | <u>2,467,685</u> | <u>3</u> |
| NET PROFIT | <u>3,063,865</u> | <u>10</u> | <u>3,412,044</u> | <u>11</u> | <u>9,943,302</u> | <u>11</u> | <u>10,098,528</u> | <u>11</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21 and 24) | | | | | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | | | | | |
| Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income | (232,829) | (1) | (1,143,034) | (4) | (788,950) | (1) | 71,615 | - |
| Share of other comprehensive income of associates accounted for using equity method | 2,431 | - | 269 | - | 29,799 | - | 8,643 | - |
| Items that may be reclassified subsequently to profit or loss | | | | | | | | |
| Exchange differences on translation | 7,601 | - | (30,624) | - | (14,875) | - | (13,724) | - |
| Share of other comprehensive income (loss) of associates accounted for using equity method | <u>(3,164)</u> | <u>-</u> | <u>5,822</u> | <u>-</u> | <u>(876)</u> | <u>-</u> | <u>4,277</u> | <u>-</u> |
| Other comprehensive income (loss) (after tax) | <u>(225,961)</u> | <u>(1)</u> | <u>(1,167,567)</u> | <u>(4)</u> | <u>(774,902)</u> | <u>(1)</u> | <u>70,811</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME | <u>\$ 2,837,904</u> | <u>9</u> | <u>\$ 2,244,477</u> | <u>7</u> | <u>\$ 9,168,400</u> | <u>10</u> | <u>\$ 10,169,339</u> | <u>11</u> |
| NET PROFIT ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the parent | \$ 2,818,867 | 9 | \$ 3,253,393 | 11 | \$ 9,181,100 | 10 | \$ 9,530,067 | 11 |
| Non-controlling interests | <u>244,998</u> | <u>1</u> | <u>158,651</u> | <u>-</u> | <u>762,202</u> | <u>1</u> | <u>568,461</u> | <u>-</u> |
| | <u>\$ 3,063,865</u> | <u>10</u> | <u>\$ 3,412,044</u> | <u>11</u> | <u>\$ 9,943,302</u> | <u>11</u> | <u>\$ 10,098,528</u> | <u>11</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the parent | \$ 2,588,119 | 8 | \$ 2,098,701 | 7 | \$ 8,395,355 | 9 | \$ 9,599,403 | 11 |
| Non-controlling interests | <u>249,785</u> | <u>1</u> | <u>145,776</u> | <u>-</u> | <u>773,045</u> | <u>1</u> | <u>569,936</u> | <u>-</u> |
| | <u>\$ 2,837,904</u> | <u>9</u> | <u>\$ 2,244,477</u> | <u>7</u> | <u>\$ 9,168,400</u> | <u>10</u> | <u>\$ 10,169,339</u> | <u>11</u> |
| EARNINGS PER SHARE (Note 25) | | | | | | | | |
| Basic earnings per share | <u>\$ 1.01</u> | | <u>\$ 1.17</u> | | <u>\$ 3.27</u> | | <u>\$ 3.46</u> | |
| Diluted earnings per share | <u>\$ 1.00</u> | | <u>\$ 1.15</u> | | <u>\$ 3.25</u> | | <u>\$ 3.39</u> | |

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | Equity Attributable to Owners of the Parent | | | | | | Other Equity Interests | | Treasury Stock | Total | Non-controlling Interests | Total Equity |
|--|---|-------------------------------|-----------------|-------------------|-----------------|-------------------------|-------------------------------------|---|----------------|---------------|---------------------------|---------------|
| | Common Stock | Capital Collected in Advanced | Capital Surplus | Retained Earnings | | Unappropriated Earnings | Exchange Differences on Translation | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | | | | |
| | | | | Legal Reserve | Special Reserve | | | | | | | |
| BALANCE, JANUARY 1, 2019 | \$ 34,208,519 | \$ 29,819 | \$ 12,580,692 | \$ 27,558,064 | \$ 362,703 | \$ 16,954,448 | \$ (24,398) | \$ (70,983) | \$(29,717,344) | \$ 61,881,520 | \$ 6,112,176 | \$ 67,993,696 |
| Effect of retrospective application | - | - | - | - | - | 32,605 | - | - | - | 32,605 | 16,275 | 48,880 |
| ADJUSTED BALANCE, JANUARY 1, 2019 | 34,208,519 | 29,819 | 12,580,692 | 27,558,064 | 362,703 | 16,987,053 | (24,398) | (70,983) | (29,717,344) | 61,914,125 | 6,128,451 | 68,042,576 |
| Distribution of 2018 earnings | | | | | | | | | | | | |
| Legal reserve | - | - | - | 1,364,217 | - | (1,364,217) | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | - | (267,322) | 267,322 | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | (15,366,223) | - | - | - | (15,366,223) | - | (15,366,223) |
| Total distribution of earnings | - | - | - | 1,364,217 | (267,322) | (16,463,118) | - | - | - | (15,366,223) | - | (15,366,223) |
| Profit for the nine months ended September 30, 2019 | - | - | - | - | - | 9,530,067 | - | - | - | 9,530,067 | 568,461 | 10,098,528 |
| Other comprehensive income (loss) for the nine months ended September 30, 2019 | - | - | - | - | - | 121 | (5,002) | 74,217 | - | 69,336 | 1,475 | 70,811 |
| Total comprehensive income (loss) for the nine months ended September 30, 2019 | - | - | - | - | - | 9,530,188 | (5,002) | 74,217 | - | 9,599,403 | 569,936 | 10,169,339 |
| Conversion of convertible bonds to common stock | 471,012 | 250,091 | 6,529,941 | - | - | - | - | - | - | 7,251,044 | - | 7,251,044 |
| Cash dividends paid to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | - | (693,361) | (693,361) |
| BALANCE, SEPTEMBER 30, 2019 | \$ 34,679,531 | \$ 279,910 | \$ 19,110,633 | \$ 28,922,281 | \$ 95,381 | \$ 10,054,123 | \$ (29,400) | \$ 3,234 | \$(29,717,344) | \$ 63,398,349 | \$ 6,005,026 | \$ 69,403,375 |
| BALANCE, JANUARY 1, 2020 | \$ 34,959,441 | \$ 134,104 | \$ 20,274,694 | \$ 28,922,281 | \$ 95,381 | \$ 12,909,829 | \$ (34,505) | \$ 473,410 | \$(29,717,344) | \$ 68,017,291 | \$ 6,158,984 | \$ 74,176,275 |
| Distribution of 2019 earnings | | | | | | | | | | | | |
| Legal reserve | - | - | - | 1,248,117 | - | (1,248,117) | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | - | (95,381) | 95,381 | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | (11,756,844) | - | - | - | (11,756,844) | - | (11,756,844) |
| Total distribution of earnings | - | - | - | 1,248,117 | (95,381) | (12,909,580) | - | - | - | (11,756,844) | - | (11,756,844) |
| Cash dividends from capital surplus | - | - | (1,593,624) | - | - | - | - | - | - | (1,593,624) | - | (1,593,624) |
| Profit for the nine months ended September 30, 2020 | - | - | - | - | - | 9,181,100 | - | - | - | 9,181,100 | 762,202 | 9,943,302 |
| Other comprehensive income (loss) for the nine months ended September 30, 2020 | - | - | - | - | - | (235) | (7,104) | (778,406) | - | (785,745) | 10,843 | (774,902) |
| Total comprehensive income (loss) for the nine months ended September 30, 2020 | - | - | - | - | - | 9,180,865 | (7,104) | (778,406) | - | 8,395,355 | 773,045 | 9,168,400 |
| Conversion of convertible bonds to common stock | 134,324 | (103,654) | 259,109 | - | - | - | - | - | - | 289,779 | - | 289,779 |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | - | 1,148,079 | - | (1,148,079) | - | - | - | - |
| Changes in equity of associates accounted for using equity method | - | - | - | - | - | (2,001) | - | - | - | (2,001) | (1,491) | (3,492) |
| Disposal of investments accounted for using equity method | - | - | (2,738) | - | - | 2,196 | - | (2,196) | - | (2,738) | (3,344) | (6,082) |
| Cash dividends paid to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | - | (655,043) | (655,043) |
| BALANCE, SEPTEMBER 30, 2020 | \$ 35,093,765 | \$ 30,450 | \$ 18,937,441 | \$ 30,170,398 | \$ - | \$ 10,329,388 | \$ (41,609) | \$ (1,455,271) | \$(29,717,344) | \$ 63,347,218 | \$ 6,272,151 | \$ 69,619,369 |

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | For the Nine Months Ended September 30 | |
|--|---|-------------------|
| | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | \$ 12,265,397 | \$ 12,566,213 |
| Adjustments for: | | |
| Depreciation expense | 8,206,431 | 9,723,595 |
| Amortization expense | 2,944,679 | 2,582,492 |
| Amortization of incremental costs of obtaining a contract | 1,331,557 | 1,950,516 |
| Loss on disposal of property, plant and equipment, net | 40,113 | 54,305 |
| Gain on disposal of intangible assets | (8,800) | - |
| Expected credit loss | 134,523 | 196,059 |
| Finance costs | 459,372 | 433,638 |
| Interest income | (50,537) | (51,096) |
| Dividend income | (102,762) | (117,211) |
| Share of profit of associates accounted for using equity method | (68,475) | (11,159) |
| Gain on disposal of investments accounted for using equity method | (73,859) | - |
| Valuation (gain) loss on financial assets and liabilities at fair value through profit or loss | 149 | (5,209) |
| Others | (3,656) | 6,990 |
| Changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at fair value through profit or loss | - | 84,864 |
| Contract assets | 589,273 | 264,859 |
| Notes and accounts receivable | 294,807 | (404,063) |
| Accounts receivable due from related parties | (22,479) | (9,962) |
| Other receivables | 100,865 | (123,992) |
| Inventories | 785,063 | (761,214) |
| Prepayments | (356,470) | (282,081) |
| Other current assets | 75,710 | 810,449 |
| Other financial assets | (3,684) | (5,212) |
| Incremental costs of obtaining a contract | (993,480) | (1,247,514) |
| Contract liabilities | (99,363) | (76,623) |
| Notes and accounts payable | 735,951 | 5,140,963 |
| Accounts payable due to related parties | 3,439 | 538 |
| Other payables | (1,014,998) | (1,231,872) |
| Provisions | (23,669) | 365 |
| Advance receipts | 111,465 | 8,024 |
| Other current liabilities | 96,944 | 92,532 |
| Net defined benefit liabilities | (24,096) | (39,350) |
| Cash inflows generated from operating activities | 25,329,410 | 29,549,844 |
| Interest received | 8,389 | 197 |
| Interest paid | (987) | (974) |
| Income taxes paid | (2,321,479) | (2,210,403) |
| Net cash generated from operating activities | <u>23,015,333</u> | <u>27,338,664</u> |

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | For the Nine Months Ended September 30 | |
|--|---|---------------------|
| | 2020 | 2019 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | \$ (4,755,435) | \$ (5,109,985) |
| Acquisition of right-of-use assets | (25,030) | (16,808) |
| Acquisition of intangible assets | (29,851,204) | (206,165) |
| Increase in prepayments for equipment | (248,765) | (200,110) |
| Proceeds from disposal of property, plant and equipment | 23,448 | 37,146 |
| Proceeds from disposal of intangible assets | 6,000 | - |
| Increase in advanced receipts from assets disposals | 361 | 368 |
| Acquisition of financial assets at fair value through other comprehensive income | (407,419) | - |
| Disposal of financial assets at fair value through other comprehensive income | 1,568,159 | - |
| Acquisition of investments accounted for using equity method | (482,516) | (27,000) |
| Disposal of investments accounted for using equity method | 219,742 | - |
| Increase in prepayments for investment | - | (100,000) |
| Proceeds from capital return of investments accounted for using equity method | 33,298 | - |
| Increase in refundable deposits | (261,756) | (208,262) |
| Decrease in refundable deposits | 226,816 | 204,232 |
| Increase in other financial assets | (220,941) | (152,825) |
| Decrease in other financial assets | 96,213 | 55,090 |
| Interest received | 33,650 | 46,429 |
| Dividend received | 122,926 | 185,379 |
| Net cash used in investing activities | <u>(33,922,453)</u> | <u>(5,492,511)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in short-term borrowings | (1,170,000) | 5,400,000 |
| Increase (decrease) in short-term notes and bills payable | 15,385,465 | (298,700) |
| Proceeds from issue of bonds | 19,979,415 | - |
| Repayment of long-term borrowings | (4,203,000) | (2,253,000) |
| Repayment of the principal portion of lease liabilities | (2,939,852) | (2,824,316) |
| Increase in guarantee deposits received | 128,203 | 172,162 |
| Decrease in guarantee deposits received | (66,953) | (93,114) |
| Cash dividends paid (including paid to non-controlling interests) | (14,005,485) | (16,059,547) |
| Interest paid | (405,207) | (362,330) |
| Net cash generated from (used in) financing activities | <u>12,702,586</u> | <u>(16,318,845)</u> |

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

| | For the Nine Months Ended September 30 | |
|--|---|----------------------|
| | 2020 | 2019 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS | \$ (790) | \$ (2,730) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,794,676 | 5,524,578 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | <u>8,663,370</u> | <u>7,498,710</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>\$ 10,458,046</u> | <u>\$ 13,023,288</u> |

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

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

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

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

2. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements on November 6, 2020.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

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

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|--|---|
| “Annual Improvements to IFRS Standards 2018-2020” | January 1, 2022 (Note 2) |
| Amendments to IFRS 3 “Reference to the Conceptual Framework” | January 1, 2022 (Note 3) |
| Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9” | Effective immediately upon promulgation by the IASB |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2” | January 1, 2021 |
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture” | To be determined by IASB |
| IFRS 17 “Insurance Contracts” | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2023 |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 (Note 4) |
| Amendments to IAS 37 “Onerous Contracts-Cost of Fulfilling a Contract” | January 1, 2022 (Note 5) |

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

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

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

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

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

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

- c. Reclassification

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of Compliance

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

Basis of Consolidation

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

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

(Continued)

| Investor | Subsidiary | Main Business and Products | Percentage of Ownership | | | Note |
|---------------------|---|---|-------------------------|-------------------|--------------------|--------|
| | | | September 30, 2020 | December 31, 2019 | September 30, 2019 | |
| TFN | TFN Union Investment Co., Ltd. (TUI) | Investment | 100.00% | 100.00% | 100.00% | Note 1 |
| TWM Holding | TWM Communications (Beijing) Co., Ltd. (TWMC) | Mobile application development and design | 100.00% | 100.00% | 100.00% | - |
| TCCI | TCCI Investment and Development Co., Ltd. (TID) | Investment | 100.00% | 100.00% | 100.00% | Note 1 |
| TFNM | Taiwan Kuro Times Co., Ltd. (TKT) | Online music service | 100.00% | 100.00% | 100.00% | - |
| | Yeong Jia Leh Cable TV Co., Ltd. (YJCTV) | Cable TV service provider | 100.00% | 100.00% | 100.00% | - |
| | Mangrove Cable TV Co., Ltd. (MCTV) | Cable TV service provider | 29.53% | 29.53% | 29.53% | Note 2 |
| | Phoenix Cable TV Co., Ltd. (PCTV) | Cable TV service provider | 100.00% | 100.00% | 100.00% | - |
| | Union Cable TV Co., Ltd. (UCTV) | Cable TV service provider | 99.22% | 99.22% | 99.22% | - |
| | Globalview Cable TV Co., Ltd. (GCTV) | Cable TV service provider | 92.38% | 92.38% | 92.38% | - |
| GFMT | UCTV | Cable TV service provider | 0.76% | 0.76% | 0.76% | - |
| GWMT | GCTV | Cable TV service provider | 6.83% | 6.83% | 6.83% | - |
| momo | Asian Crown International Co., Ltd. (Asian Crown (BVI)) | Investment | 81.99% | 81.99% | 81.99% | - |
| | Honest Development Co., Ltd. (Honest Development) | Investment | 100.00% | 100.00% | 100.00% | - |
| | Fuli Life Insurance Agent Co., Ltd. (FLI) | Life insurance agent | 100.00% | 100.00% | 100.00% | - |
| | Fuli Property Insurance Agent Co., Ltd. (FPI) | Property insurance agent | 100.00% | 100.00% | 100.00% | - |
| | Fu Sheng Travel Service Co., Ltd. (FST) | Travel agent | 100.00% | 100.00% | 100.00% | - |
| | Bebe Poshe International Co., Ltd. (Bebe Poshe) | Wholesale of cosmetics | 85.00% | 85.00% | 85.00% | - |
| | Fu Sheng Logistics Co., Ltd. (FSL) | Logistics and transport | 100.00% | - | - | Note 3 |
| | MFS Co., Ltd. (MFS) | Wholesaling | 100.00% | - | - | Note 4 |
| Asian Crown (BVI) | Fortune Kingdom Corporation (Fortune Kingdom) | Investment | 100.00% | 100.00% | 100.00% | - |
| Fortune Kingdom | Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia) | Investment | 100.00% | 100.00% | 100.00% | - |
| Honest Development | Hongkong Yue Numerous Investment Co., Ltd. (HK Yue Numerous) | Investment | 100.00% | 100.00% | 100.00% | - |
| HK Yue Numerous | Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo) | Investment | 100.00% | 100.00% | 100.00% | - |
| HK Fubon Multimedia | Fubon Gehua (Beijing) Enterprise Ltd. (FGE) | Wholesaling | 93.55% | 93.55% | 93.55% | - |

(Concluded)

Note 1: TCCI, TUI and TID collectively owned 698,752 thousand shares of TWM, representing 19.89% of total outstanding shares as of September 30, 2020.

Note 2: The other 70.47% of shares were held under trustee accounts.

Note 3: Set up in February 2020.

Note 4: Set up in July 2020.

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

Leases

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

a. The Group as lessor

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

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

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

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

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

b. The Group as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification, the Group accounts for the remeasurement of the lease liability by (a) adjusting the carrying amount of the right-of-use asset of lease modifications that adjust the scope and the term of the lease, and recognizes in profit or loss any gain or loss on the partial or full termination of the lease and (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. The Group also accounts for the rent concessions as lease modifications if the rent payments due by June 30, 2021 were adjusted due to the COVID-19 epidemic. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

Employee Benefits

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

Income Tax

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

6. CASH AND CASH EQUIVALENTS

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|-------------------------------|------------------------------|-------------------------------|
| Cash on hand and revolving funds | \$ 79,992 | \$ 60,483 | \$ 152,688 |
| Cash in banks | 4,595,393 | 3,545,544 | 7,955,311 |
| Time deposits | 3,097,572 | 2,423,103 | 2,167,192 |
| Government bonds with repurchase rights | <u>2,685,089</u> | <u>2,634,240</u> | <u>2,748,097</u> |
| | <u>\$ 10,458,046</u> | <u>\$ 8,663,370</u> | <u>\$ 13,023,288</u> |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|--|-----------------------|----------------------|-----------------------|
| <u>Investments in equity instruments - current</u> | | | |
| Domestic investments | | | |
| Listed stocks | \$ 1,607,043 | \$ 239,086 | \$ 241,260 |
| Foreign investments | | | |
| Unlisted stocks | <u>3,609</u> | <u>7,407</u> | <u>7,774</u> |
| | <u>\$ 1,610,652</u> | <u>\$ 246,493</u> | <u>\$ 249,034</u> |
| <u>Investments in equity instruments - non-current</u> | | | |
| Domestic investments | | | |
| Listed stocks | \$ 923,124 | \$ 4,580,516 | \$ 4,078,476 |
| Unlisted stocks | 651,898 | 173,515 | 177,585 |
| Foreign investments | | | |
| Limited partnerships | 342,335 | 462,068 | 500,880 |
| Unlisted stocks | <u>30,799</u> | <u>29,789</u> | <u>30,042</u> |
| | <u>\$ 1,948,156</u> | <u>\$ 5,245,888</u> | <u>\$ 4,786,983</u> |

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

In January 2020, the Directors of TFN resolved that TFN would sell all its equity interest in Taiwan High Speed Rail Corporation (THSR) to monetize financial assets, and, therefore, the subject equity investment in THSR was subsequently reclassified from non-current to current. In the first three quarters of 2020, TFN sold part of THSR's stock at fair value of \$1,621,105 thousand. As of September 30, 2020, the amount of outstanding receivables was \$52,946 thousand. The related unrealized gain of \$1,147,893 thousand was transferred from other equity to retained earnings.

8. NOTES AND ACCOUNTS RECEIVABLE, NET

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|-------------------------------------|-----------------------|----------------------|-----------------------|
| Notes receivable | \$ 70,877 | \$ 224,042 | \$ 103,797 |
| Accounts receivable | 7,502,508 | 7,793,254 | 7,853,328 |
| Less: Allowance for impairment loss | <u>(296,240)</u> | <u>(345,458)</u> | <u>(371,925)</u> |
| | <u>\$ 7,277,145</u> | <u>\$ 7,671,838</u> | <u>\$ 7,585,200</u> |

The main credit terms range from 30 to 90 days.

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

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

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

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

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

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

September 30, 2020

| | Not Past Due | Overdue | | | Total |
|--------------------------------|---------------------|-------------------|------------------|----------------|---------------------|
| | | 1 to 120 Days | 121 to 365 Days | Over 365 Days | |
| Gross carrying amount | \$ 6,965,950 | \$ 471,406 | \$ 132,987 | \$ 3,042 | \$ 7,573,385 |
| Loss allowance (Lifetime ECLs) | <u>(50,202)</u> | <u>(122,644)</u> | <u>(120,489)</u> | <u>(2,905)</u> | <u>(296,240)</u> |
| Amortized cost | <u>\$ 6,915,748</u> | <u>\$ 348,762</u> | <u>\$ 12,498</u> | <u>\$ 137</u> | <u>\$ 7,277,145</u> |

December 31, 2019

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

September 30, 2019

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

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

| | Not Past Due and Past Due within 120 Days | Past Due Over 120 Days |
|----------------------------|--|-----------------------------------|
| Telecommunications service | 0.02%-85% | 65.5%-100% |
| Retail business and others | below 10% | 10%-100% |

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

| | For the Nine Months Ended September 30 | |
|-------------------|---|-------------------|
| | 2020 | 2019 |
| Beginning balance | \$ 345,458 | \$ 464,049 |
| Add: Provision | 136,129 | 195,016 |
| Recovery | 27,829 | 31,635 |
| Less: Write-off | <u>(213,176)</u> | <u>(318,775)</u> |
| Ending balance | <u>\$ 296,240</u> | <u>\$ 371,925</u> |

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

| | For the Nine Months Ended September 30 | |
|---|---|-------------------|
| | 2020 | 2019 |
| Amount of accounts receivable sold | <u>\$ 918,412</u> | <u>\$ 583,132</u> |
| Proceeds of the sale of accounts receivable | <u>\$ 52,589</u> | <u>\$ 35,389</u> |

9. INVENTORIES

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---------------------------|-------------------------------|------------------------------|-------------------------------|
| Merchandise | \$ 4,874,061 | \$ 5,662,872 | \$ 4,699,744 |
| Materials for maintenance | <u>11,352</u> | <u>7,604</u> | <u>7,133</u> |
| | <u>\$ 4,885,413</u> | <u>\$ 5,670,476</u> | <u>\$ 4,706,877</u> |

For the three months and the nine months ended September 30, 2020, the cost of goods sold related to the inventories amounted to \$16,414,963 thousand and \$49,553,983 thousand, respectively, which included the inventory write-down, totaling \$7,795 thousand and \$69,403 thousand, respectively.

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

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Associates, which were not individually material and were accounted for using equity method, were as follows:

| Investee Company | September 30, 2020 | | December 31, 2019 | | September 30, 2019 | |
|---|---------------------|----------------|---------------------|----------------|---------------------|----------------|
| | Amount | % of Ownership | Amount | % of Ownership | Amount | % of Ownership |
| Global Home Shopping Co., Ltd. (GHS) | \$ 577,080 | 20.00 | \$ 560,029 | 20.00 | \$ 711,017 | 20.00 |
| Taiwan Pelican Express Co., Ltd. (TPE) | 387,984 | 15.50 | 404,413 | 17.70 | 397,662 | 17.70 |
| AppWorks Ventures Co., Ltd. (AppWorks) | 256,495 | 51.00 | 226,123 | 51.00 | 235,000 | 51.00 |
| AppWorks Fund III Co., Ltd. (AppWorks Fund III) | 318,723 | 20.11 | - | - | - | - |
| TV Direct Public Company Limited (TV Direct) | 152,376 | 20.00 | - | - | - | - |
| TVD Shopping Co., Ltd. (TVD Shopping) | - | - | 119,531 | 35.00 | 124,391 | 35.00 |
| kbro Media Co., Ltd. (kbro Media) | 121,375 | 32.50 | 136,812 | 32.50 | 141,419 | 32.50 |
| Mistake Entertainment Co., Ltd. (M.E.) | 25,631 | 15.00 | 25,045 | 15.00 | 25,530 | 15.00 |
| Alliance Digital Tech Co., Ltd. (ADT) | <u>8,596</u> | 14.40 | <u>6,072</u> | 14.40 | <u>5,061</u> | 14.40 |
| | <u>\$ 1,848,260</u> | | <u>\$ 1,478,025</u> | | <u>\$ 1,640,080</u> | |

a. GHS

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

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

b. TPE

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

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

In the first three quarters of 2020, momo sold part of TPE's stock for \$72,970 thousand. Although momo's percentage of ownership interest in TPE decreased to 15.5%, momo still has significant influence on TPE due to its having two seats on TPE's board of directors.

c. AppWorks

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

d. AppWorks Fund III

In April 2020, TVC acquired 19.46% equity interest of AppWorks Fund III. TVC has significant influence on AppWorks Fund III since the president of TWM serves as the chairman of AppWorks Fund III. In August 2020, TVC's percentage of ownership interest in AppWorks Fund III increased to 20.11% due to non-proportionate subscription to AppWorks Fund III's issuance of new capital stock.

e. TV Direct

In June 2020, momo acquired 16.2% equity interest of TV Direct and had significant influence on TV Direct. In July 2020, momo's percentage of ownership interest in TV Direct increased to 20% due to its acquisition of additional 3.8% equity interest of TV Direct. momo has one seat on TV Direct's board of directors.

f. TVD Shopping

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

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

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

g. M.E.

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

h. ADT

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

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

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

11. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

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

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

| | September 30, 2020 | December 31, 2019 | September 30, 2019 | |
|--|--|------------------------------|---|----------------------|
| Current assets | \$ 7,964,598 | \$ 7,547,400 | \$ 9,766,431 | |
| Non-current assets | 14,972,942 | 14,525,235 | 14,650,617 | |
| Current liabilities | (8,115,552) | (7,372,246) | (9,915,146) | |
| Non-current liabilities | <u>(1,022,893)</u> | <u>(1,050,690)</u> | <u>(1,109,929)</u> | |
| Equity | <u>\$ 13,799,095</u> | <u>\$ 13,649,699</u> | <u>\$ 13,391,973</u> | |
| Equity attributable to: | | | | |
| Owners of the parent | \$ 9,389,952 | \$ 9,321,432 | \$ 9,204,978 | |
| Non-controlling interests of momo | 4,391,706 | 4,308,010 | 4,165,765 | |
| Non-controlling interests of momo's subsidiaries | <u>17,437</u> | <u>20,257</u> | <u>21,230</u> | |
| | <u>\$ 13,799,095</u> | <u>\$ 13,649,699</u> | <u>\$ 13,391,973</u> | |
| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
| | 2020 | 2019 | 2020 | 2019 |
| Operating revenues | <u>\$ 15,582,993</u> | <u>\$ 12,371,510</u> | <u>\$ 46,522,804</u> | <u>\$ 35,922,568</u> |
| Profit | \$ 418,522 | \$ 267,015 | \$ 1,328,907 | \$ 974,513 |
| Other comprehensive income (loss) | <u>8,576</u> | <u>(23,113)</u> | <u>19,780</u> | <u>2,891</u> |
| Comprehensive income | <u>\$ 427,098</u> | <u>\$ 243,902</u> | <u>\$ 1,348,687</u> | <u>\$ 977,404</u> |
| Profit (loss) attributable to: | | | | |
| Owners of the parent | \$ 188,876 | \$ 120,270 | \$ 599,443 | \$ 438,768 |
| Non-controlling interests of momo | 230,710 | 146,908 | 732,211 | 535,949 |
| Non-controlling interests of momo's subsidiaries | <u>(1,064)</u> | <u>(163)</u> | <u>(2,747)</u> | <u>(204)</u> |
| | <u>\$ 418,522</u> | <u>\$ 267,015</u> | <u>\$ 1,328,907</u> | <u>\$ 974,513</u> |
| Comprehensive income (loss) attributable to: | | | | |
| Owners of the parent | \$ 192,664 | \$ 110,032 | \$ 608,380 | \$ 440,184 |
| Non-controlling interests of momo | 235,335 | 134,403 | 743,127 | 537,679 |
| Non-controlling interests of momo's subsidiaries | <u>(901)</u> | <u>(533)</u> | <u>(2,820)</u> | <u>(459)</u> |
| | <u>\$ 427,098</u> | <u>\$ 243,902</u> | <u>\$ 1,348,687</u> | <u>\$ 977,404</u> |

| | For the Nine Months Ended September 30 | |
|--|---|---------------------|
| | 2020 | 2019 |
| Net cash generated from operating activities | \$ 1,956,565 | \$ 4,728,601 |
| Net cash used in investing activities | (693,057) | (195,105) |
| Net cash used in financing activities | (1,462,795) | (1,468,158) |
| Effect of exchange rate changes | <u>(196)</u> | <u>(889)</u> |
| Net increase (decrease) in cash | <u>\$ (199,483)</u> | <u>\$ 3,064,449</u> |
| Dividends paid to non-controlling interests | <u>\$ 654,596</u> | <u>\$ 693,102</u> |

12. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Telecommuni- cations Equipment and Machinery | Others | Construction in Progress and Equipment to be Inspected | Total |
|--|---------------------|---------------------|---|---------------------|---|-----------------------|
| <u>Cost</u> | | | | | | |
| Balance, January 1, 2020 | \$ 8,261,041 | \$ 5,641,608 | \$ 90,366,481 | \$ 9,549,160 | \$ 1,506,915 | \$ 115,325,205 |
| Additions | 431,785 | - | 124,086 | 221,702 | 6,560,703 | 7,338,276 |
| Reclassification | 324,224 | 59,619 | 5,869,335 | 231,660 | (6,073,929) | 410,909 |
| Disposals and retirements | (8,055) | (9,626) | (1,056,798) | (173,502) | (213) | (1,248,194) |
| Effect of exchange rate changes | <u>-</u> | <u>-</u> | <u>(586)</u> | <u>(38)</u> | <u>-</u> | <u>(624)</u> |
| Balance, September 30, 2020 | <u>\$ 9,008,995</u> | <u>\$ 5,691,601</u> | <u>\$ 95,302,518</u> | <u>\$ 9,828,982</u> | <u>\$ 1,993,476</u> | <u>\$ 121,825,572</u> |
| <u>Accumulated depreciation and impairment</u> | | | | | | |
| Balance, January 1, 2020 | \$ - | \$ 1,649,207 | \$ 69,379,600 | \$ 8,114,393 | \$ - | \$ 79,143,200 |
| Depreciation | - | 121,044 | 4,619,930 | 506,344 | - | 5,247,318 |
| Reclassification | - | 27,839 | - | - | - | 27,839 |
| Disposals and retirements | - | (5,421) | (1,006,721) | (172,491) | - | (1,184,633) |
| Effect of exchange rate changes | <u>-</u> | <u>-</u> | <u>(534)</u> | <u>(31)</u> | <u>-</u> | <u>(565)</u> |
| Balance, September 30, 2020 | <u>\$ -</u> | <u>\$ 1,792,669</u> | <u>\$ 72,992,275</u> | <u>\$ 8,448,215</u> | <u>\$ -</u> | <u>\$ 83,233,159</u> |
| Carrying amount, January 1, 2020 | <u>\$ 8,261,041</u> | <u>\$ 3,992,401</u> | <u>\$ 20,986,881</u> | <u>\$ 1,434,767</u> | <u>\$ 1,506,915</u> | <u>\$ 36,182,005</u> |
| Carrying amount, September 30, 2020 | <u>\$ 9,008,995</u> | <u>\$ 3,898,932</u> | <u>\$ 22,310,243</u> | <u>\$ 1,380,767</u> | <u>\$ 1,993,476</u> | <u>\$ 38,592,413</u> |
| <u>Cost</u> | | | | | | |
| Balance, January 1, 2019 | \$ 8,289,085 | \$ 5,672,957 | \$ 87,623,044 | \$ 9,346,834 | \$ 1,349,217 | \$ 112,281,137 |
| Additions | - | 1,116 | 589,048 | 205,739 | 4,227,514 | 5,023,417 |
| Reclassification | 3,593 | 3,891 | 3,967,978 | 99,689 | (4,083,218) | (8,067) |
| Disposals and retirements | (18,112) | (22,599) | (1,068,008) | (238,361) | (38) | (1,347,118) |
| Effect of exchange rate changes | <u>-</u> | <u>-</u> | <u>(1,915)</u> | <u>(125)</u> | <u>-</u> | <u>(2,040)</u> |
| Balance, September 30, 2019 | <u>\$ 8,274,566</u> | <u>\$ 5,655,365</u> | <u>\$ 91,110,147</u> | <u>\$ 9,413,776</u> | <u>\$ 1,493,475</u> | <u>\$ 115,947,329</u> |

(Continued)

| | Land | Buildings | Telecommuni- cations Equipment and Machinery | Others | Construction in Progress and Equipment to be Inspected | Total |
|--|---------------------|---------------------|---|---------------------|---|----------------------|
| Accumulated depreciation and impairment | | | | | | |
| Balance, January 1, 2019 | \$ 1,662 | \$ 1,499,982 | \$ 64,521,396 | \$ 7,402,137 | \$ - | \$ 73,425,177 |
| Depreciation | - | 121,102 | 5,900,643 | 766,301 | - | 6,788,046 |
| Reclassification | - | 1,570 | - | - | - | 1,570 |
| Disposals and retirements | - | (8,238) | (1,010,993) | (236,436) | - | (1,255,667) |
| Effect of exchange rate changes | - | - | (1,768) | (105) | - | (1,873) |
| Balance, September 30, 2019 | <u>\$ 1,662</u> | <u>\$ 1,614,416</u> | <u>\$ 69,409,278</u> | <u>\$ 7,931,897</u> | <u>\$ -</u> | <u>\$ 78,957,253</u> |
| Carrying amount, September 30, 2019 | <u>\$ 8,272,904</u> | <u>\$ 4,040,949</u> | <u>\$ 21,700,869</u> | <u>\$ 1,481,879</u> | <u>\$ 1,493,475</u> | <u>\$ 36,990,076</u> |

(Concluded)

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

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

13. LEASE ARRANGEMENTS

a. Right-of-use assets

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|-----------------------|---|-----------------------|
| <u>Carrying amounts</u> | | | |
| Land | \$ 557,212 | \$ 565,364 | \$ 564,445 |
| Buildings | 7,616,416 | 8,025,737 | 8,293,831 |
| Telecommunications equipment and machinery | 661,053 | 874,638 | 953,746 |
| Others | <u>175,824</u> | <u>192,199</u> | <u>118,756</u> |
| | <u>\$ 9,010,505</u> | <u>\$ 9,657,938</u> | <u>\$ 9,930,778</u> |
| | | For the Nine Months Ended September 30 | |
| | | 2020 | 2019 |
| Additions to right-of-use assets | | <u>\$ 2,601,367</u> | <u>\$ 2,939,408</u> |

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|--|-------------------|---|---------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Depreciation charge for right-of-use assets | | | | |
| Land | \$ 59,945 | \$ 58,608 | \$ 180,092 | \$ 174,609 |
| Buildings | 861,105 | 863,438 | 2,579,891 | 2,542,418 |
| Telecommunications equipment and machinery | 44,708 | 50,792 | 138,059 | 153,873 |
| Others | <u>15,733</u> | <u>16,046</u> | <u>45,970</u> | <u>49,439</u> |
| | <u>\$ 981,491</u> | <u>\$ 988,884</u> | <u>\$ 2,944,012</u> | <u>\$ 2,920,339</u> |

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

b. Lease liabilities

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|-------------------------|-------------------------------|------------------------------|-------------------------------|
| <u>Carrying amounts</u> | | | |
| Current | <u>\$ 3,466,731</u> | <u>\$ 3,532,951</u> | <u>\$ 3,525,545</u> |
| Non-current | <u>\$ 5,518,479</u> | <u>\$ 6,117,438</u> | <u>\$ 6,373,530</u> |

Range of discount rate for lease liabilities was as follows:

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|--|-------------------------------|------------------------------|-------------------------------|
| Land | 0.74%-1% | 0.78%-1% | 0.82%-1% |
| Buildings | 0.74%-1.2% | 0.78%-5.44% | 0.82%-5.44% |
| Telecommunications equipment and machinery | 0.74%-4.38% | 0.86%-4.38% | 0.86%-4.38% |
| Others | 0.74%-0.86% | 0.78%-5.44% | 0.82%-5.44% |

c. Material lease-in activities and terms

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

d. Other lease information

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|--|--|-----------|---|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Expenses related to short-term leases | \$ 10,277 | \$ 9,435 | \$ 29,546 | \$ 45,259 |
| Expenses related to low-value asset leases | \$ 18,094 | \$ 18,050 | \$ 54,449 | \$ 53,063 |
| Expenses related to variable lease payments and not included in the measurement of lease liabilities | \$ 10,491 | \$ 10,913 | \$ 33,426 | \$ 30,777 |
| | | | For the Nine Months Ended September 30 | |
| | | | 2020 | 2019 |
| Total cash outflow for leases | | | \$ 3,153,515 | \$ 3,038,773 |

14. INVESTMENT PROPERTIES

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

The fair values of investment properties were measured using Level 3 inputs, arising from income approach, comparative approach, and cost approach adopted by a third party real estate appraiser, HomeBan Appraisers Joint Firm. As of September 30, 2020, December 31, 2019 and September 30, 2019, the fair values of investment properties were \$6,676,676 thousand, \$6,989,343 thousand and \$6,976,270 thousand, respectively, and the capitalization rates for the aforementioned financial reporting periods were ranging from 1.32%-4.95%, 1.32%-4.95% and 1.32%-5.23%, respectively.

The amounts of depreciation recognized for the three months and the nine months ended September 30, 2020 and 2019 were \$4,926 thousand, \$5,068 thousand, \$15,101 thousand, and \$15,210 thousand, respectively.

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

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|-----------------------|-----------------------|----------------------|-----------------------|
| Year 1 | \$ 142,174 | \$ 153,723 | \$ 153,332 |
| Year 2 | 135,628 | 143,089 | 145,838 |
| Year 3 | 98,720 | 133,686 | 133,358 |
| Year 4 | 30,299 | 81,103 | 96,409 |
| Year 5 | 28,737 | 29,888 | 27,987 |
| Year 6 and thereafter | <u>27,987</u> | <u>51,310</u> | <u>55,975</u> |
| | <u>\$ 463,545</u> | <u>\$ 592,799</u> | <u>\$ 612,899</u> |

15. INTANGIBLE ASSETS

| | Concessions | | | Other Intangible Assets | | | | | | Total |
|--|----------------------|---------------------|----------------------|-------------------------|------------------------|---------------------|---------------------|------------------|-----------------------|-------|
| | Concession Licenses | Service Concessions | Goodwill | Computer Software | Customer Relationships | Operating Rights | Trademarks | Copyrights | | |
| Cost | | | | | | | | | | |
| Balance, January 1, 2020 | \$ 41,043,375 | \$ 8,180,078 | \$ 15,872,595 | \$ 4,096,570 | \$ 2,654,089 | \$ 1,382,000 | \$ 2,517,884 | \$ 25,197 | \$ 75,771,788 | |
| Addition | 29,656,000 | - | - | 118,474 | - | - | 66 | 25,910 | 29,800,450 | |
| Disposals and retirements | - | - | - | (58,614) | - | - | (55) | (30,000) | (88,669) | |
| Reclassification | 1,000,000 | - | - | 51,717 | - | - | - | 31,550 | 1,083,267 | |
| Effect of exchange rate changes | - | - | - | (97) | - | - | - | - | (97) | |
| Balance, September 30, 2020 | <u>\$ 71,699,375</u> | <u>\$ 8,180,078</u> | <u>\$ 15,872,595</u> | <u>\$ 4,208,050</u> | <u>\$ 2,654,089</u> | <u>\$ 1,382,000</u> | <u>\$ 2,517,895</u> | <u>\$ 52,657</u> | <u>\$ 106,566,739</u> | |
| Accumulated amortization and impairment | | | | | | | | | | |
| Balance, January 1, 2020 | \$ 10,303,927 | \$ 1,210,025 | \$ 40,155 | \$ 3,465,304 | \$ 1,647,063 | \$ - | \$ 1,642 | \$ 25,197 | \$ 16,693,313 | |
| Amortization | 2,351,832 | 134,039 | - | 332,297 | 102,300 | - | 106 | 24,105 | 2,944,679 | |
| Disposals and retirements | - | - | - | (58,614) | - | - | (55) | - | (58,669) | |
| Effect of exchange rate changes | - | - | - | (74) | - | - | - | - | (74) | |
| Balance, September 30, 2020 | <u>\$ 12,655,759</u> | <u>\$ 1,344,064</u> | <u>\$ 40,155</u> | <u>\$ 3,738,913</u> | <u>\$ 1,749,363</u> | <u>\$ -</u> | <u>\$ 1,693</u> | <u>\$ 49,302</u> | <u>\$ 19,579,249</u> | |
| Carrying amount, January 1, 2020 | <u>\$ 30,739,448</u> | <u>\$ 6,970,053</u> | <u>\$ 15,832,440</u> | <u>\$ 631,266</u> | <u>\$ 1,007,026</u> | <u>\$ 1,382,000</u> | <u>\$ 2,516,242</u> | <u>\$ -</u> | <u>\$ 59,078,475</u> | |
| Carrying amount, September 30, 2020 | <u>\$ 59,043,616</u> | <u>\$ 6,836,014</u> | <u>\$ 15,832,440</u> | <u>\$ 469,137</u> | <u>\$ 904,726</u> | <u>\$ 1,382,000</u> | <u>\$ 2,516,202</u> | <u>\$ 3,355</u> | <u>\$ 86,987,490</u> | |
| Cost | | | | | | | | | | |
| Balance, January 1, 2019 | \$ 41,043,375 | \$ 8,180,078 | \$ 15,872,595 | \$ 3,907,630 | \$ 2,654,089 | \$ 1,382,000 | \$ 2,517,866 | \$ 15,222 | \$ 75,572,855 | |
| Addition | - | - | - | 138,031 | - | - | 18 | 8,567 | 146,616 | |
| Disposals and retirements | - | - | - | (138,990) | - | - | - | - | (138,990) | |
| Reclassification | - | - | - | 95,856 | - | - | - | - | 95,856 | |
| Effect of exchange rate changes | - | - | - | (317) | - | - | - | - | (317) | |
| Balance, September 30, 2019 | <u>\$ 41,043,375</u> | <u>\$ 8,180,078</u> | <u>\$ 15,872,595</u> | <u>\$ 4,002,210</u> | <u>\$ 2,654,089</u> | <u>\$ 1,382,000</u> | <u>\$ 2,517,884</u> | <u>\$ 23,789</u> | <u>\$ 75,676,020</u> | |
| Accumulated amortization and impairment | | | | | | | | | | |
| Balance, January 1, 2019 | \$ 7,663,274 | \$ 1,031,305 | \$ - | \$ 3,176,937 | \$ 1,510,663 | \$ - | \$ 1,493 | \$ 13,538 | \$ 13,397,210 | |
| Amortization | 1,980,490 | 134,040 | - | 356,102 | 102,300 | - | 112 | 9,448 | 2,582,492 | |
| Disposals and retirements | - | - | - | (138,990) | - | - | - | - | (138,990) | |
| Effect of exchange rate changes | - | - | - | (252) | - | - | - | - | (252) | |
| Balance, September 30, 2019 | <u>\$ 9,643,764</u> | <u>\$ 1,165,345</u> | <u>\$ -</u> | <u>\$ 3,393,797</u> | <u>\$ 1,612,963</u> | <u>\$ -</u> | <u>\$ 1,605</u> | <u>\$ 22,986</u> | <u>\$ 15,840,460</u> | |
| Carrying amount, September 30, 2019 | <u>\$ 31,399,611</u> | <u>\$ 7,014,733</u> | <u>\$ 15,872,595</u> | <u>\$ 608,413</u> | <u>\$ 1,041,126</u> | <u>\$ 1,382,000</u> | <u>\$ 2,516,279</u> | <u>\$ 803</u> | <u>\$ 59,835,560</u> | |

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

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

a. Concession licenses

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

b. Service concessions

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

c. Customer relationships, operating rights, and trademarks

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

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

d. Goodwill

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

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

e. Impairment of assets

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

16. OTHER NON-CURRENT ASSETS

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|-------------------------------|-------------------------------|------------------------------|-------------------------------|
| Long-term accounts receivable | \$ 321,536 | \$ 325,482 | \$ 293,960 |
| Refundable deposits (Note) | 668,908 | 1,633,054 | 627,818 |
| Prepayments for equipment | 75,613 | 131,228 | 139,599 |
| Prepayments for investment | - | 100,000 | 100,000 |
| Others | <u>505,001</u> | <u>504,706</u> | <u>511,429</u> |
| | <u>\$ 1,571,058</u> | <u>\$ 2,694,470</u> | <u>\$ 1,672,806</u> |

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

17. BORROWINGS

a. Short-term borrowings

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|-----------------------|-------------------------------|------------------------------|-------------------------------|
| Unsecured loans | <u>\$ 15,100,000</u> | <u>\$ 16,270,000</u> | <u>\$ 15,670,000</u> |
| Annual interest rates | 0.56%-0.89% | 0.65%-0.95% | 0.65%-0.95% |

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

b. Short-term notes and bills payable

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|-------------------------------|------------------------------|-------------------------------|
| Short-term notes and bills payable | \$ 17,300,000 | \$ 1,900,000 | \$ 1,200,000 |
| Less: Discounts on short-term notes and bills payable | <u>(10,455)</u> | <u>(1,889)</u> | <u>-</u> |
| | <u>\$ 17,289,545</u> | <u>\$ 1,898,111</u> | <u>\$ 1,200,000</u> |
| Annual interest rates | 0.398%-0.448% | 0.688% | 0.678% |

c. Long-term borrowings

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|------------------------|-------------------------------|------------------------------|-------------------------------|
| Unsecured loans | \$ 2,000,000 | \$ 6,000,000 | \$ 6,000,000 |
| Secured loans | 2,686,862 | 2,889,373 | 2,940,209 |
| Less: Current portion | <u>(2,303,351)</u> | <u>(303,297)</u> | <u>(303,285)</u> |
| | <u>\$ 2,383,511</u> | <u>\$ 8,586,076</u> | <u>\$ 8,636,924</u> |
| Annual interest rates: | | | |
| Unsecured loans | 0.79% | 0.72%-0.79% | 0.72%-0.79% |
| Secured loans | 1.7495% | 2.0337% | 2.0337% |

1) Unsecured loans

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

2) Secured loans

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

18. BONDS PAYABLE

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|-------------------------------|------------------------------|-------------------------------|
| 3rd domestic unsecured straight corporate bonds | \$ - | \$ - | \$ 4,499,942 |
| 5th domestic unsecured straight corporate bonds | 14,990,829 | 14,988,914 | 14,988,270 |
| 6th domestic unsecured straight corporate bonds | 19,980,992 | - | - |
| 3rd domestic unsecured convertible bonds | 630,574 | 914,522 | 2,226,077 |
| Less: Current portion | <u>-</u> | <u>-</u> | <u>(4,499,942)</u> |
| | <u>\$ 35,602,395</u> | <u>\$ 15,903,436</u> | <u>\$ 17,214,347</u> |

a. 3rd domestic unsecured straight corporate bonds

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

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

b. 5th domestic unsecured straight corporate bonds

On April 20, 2018, TWM issued the 5th domestic unsecured straight corporate bonds. The bonds included five-year and seven-year bonds, with the principal amount of \$6,000,000 thousand and \$9,000,000 thousand, each having a face value of \$10,000 thousand, and coupon rates of 0.848% and 1% per annum, respectively, with simple interest due annually. Repayment will be made in full at maturity. As of September 30, 2020, the amount of unamortized bond issue cost was \$9,171 thousand. The trustee of bond holders is Bank of Taiwan.

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

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

c. 6th domestic unsecured straight corporate bonds

On March 24, 2020, TWM issued the 6th domestic unsecured straight corporate bonds. The bonds included five-year, seven-year, and ten-year bonds, with the principal amount of \$5,000,000 thousand, \$10,000,000 thousand and 5,000,000 thousand, each having a face value of \$10,000 thousand, and coupon rates of 0.64%, 0.66% and 0.72% per annum, respectively, with simple interest due annually. Repayment will be made in full at maturity. As of September 30, 2020, the amount of unamortized bond issue cost was \$19,008 thousand. The trustee of bond holders is Bank of Taiwan.

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

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

d. 3rd domestic unsecured convertible bonds

On November 22, 2016, TWM issued its 3rd domestic five-year unsecured zero-coupon convertible bonds with an aggregate principal amount of \$10,000,000 thousand and a par value of \$100 thousand per bond certificate. The conversion price was set initially at \$116.1 per share. The conversion price should be adjusted according to the prescribed formula and has been adjusted to \$95.6 per share since July 25, 2020. Except for the book closure period, bondholders are entitled to convert bonds into TWM's common stock from December 23, 2016 to November 22, 2021. The trustee of bond holders is Bank of Taiwan.

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

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

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 0.9149% per annum on initial recognition. As of September 30, 2020, the amount of unamortized bond discount was \$6,626 thousand.

| | |
|---|-------------------------|
| Proceeds of the issuance (minus transaction costs of \$10,870 thousand) | \$ 9,989,130 |
| Equity component | (400,564) |
| Financial liabilities | <u>(35,961)</u> |
| Liability component at the date of issuance | 9,552,605 |
| Interest charged at an effective interest rate | 230,058 |
| Convertible bonds converted into common stock | <u>(7,556,586)</u> |
| Liability component on September 30, 2019 | <u>\$ 2,226,077</u> |
| Liability component on January 1, 2020 | \$ 914,522 |
| Interest charged at an effective interest rate | 5,831 |
| Convertible bonds converted into common stock | <u>(289,779)</u> |
| Liability component on September 30, 2020 | <u>\$ 630,574</u> |

As of September 30, 2020, December 31, 2019 and September 30, 2019, the bondholders had requested to convert the bonds at face values of \$9,362,800 thousand, \$9,069,500 thousand and \$7,729,800 thousand, respectively.

19. PROVISIONS

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|-----------------|-----------------------|----------------------|-----------------------|
| Restoration | \$ 1,168,720 | \$ 1,183,427 | \$ 1,187,488 |
| Decommissioning | 370,205 | 324,693 | 310,225 |
| Warranties | <u>22,981</u> | <u>40,111</u> | <u>53,176</u> |
| | <u>\$ 1,561,906</u> | <u>\$ 1,548,231</u> | <u>\$ 1,550,889</u> |
| Current | \$ 60,335 | \$ 88,961 | \$ 102,327 |
| Non-current | <u>1,501,571</u> | <u>1,459,270</u> | <u>1,448,562</u> |
| | <u>\$ 1,561,906</u> | <u>\$ 1,548,231</u> | <u>\$ 1,550,889</u> |

| | Restoration | Decom- missioning | Warranties | Total |
|-----------------------------|---------------------|----------------------|------------------|---------------------|
| Balance, January 1, 2020 | \$ 1,183,427 | \$ 324,693 | \$ 40,111 | \$ 1,548,231 |
| Provision | 27,741 | 38,655 | 25,746 | 92,142 |
| Payment/Reversal | (45,245) | - | (42,876) | (88,121) |
| Unwinding of discount | <u>2,797</u> | <u>6,857</u> | <u>-</u> | <u>9,654</u> |
| Balance, September 30, 2020 | <u>\$ 1,168,720</u> | <u>\$ 370,205</u> | <u>\$ 22,981</u> | <u>\$ 1,561,906</u> |
| Balance, January 1, 2019 | \$ 1,184,823 | \$ 268,536 | \$ 67,929 | \$ 1,521,288 |
| Provision | 38,309 | 37,675 | 54,918 | 130,902 |
| Payment/Reversal | (38,810) | (1,714) | (69,671) | (110,195) |
| Unwinding of discount | <u>3,166</u> | <u>5,728</u> | <u>-</u> | <u>8,894</u> |
| Balance, September 30, 2019 | <u>\$ 1,187,488</u> | <u>\$ 310,225</u> | <u>\$ 53,176</u> | <u>\$ 1,550,889</u> |

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Domestic firms of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed and defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The employees of the Group's subsidiaries in other countries are participants of state-managed retirement benefit plans operated by local governments. In accordance with the above provisions, the Group's contributions to the pension plan amounted to \$82,388 thousand and \$77,791 thousand for the three months ended September 30, 2020 and 2019, respectively, and \$245,074 thousand and \$232,076 thousand for the nine months ended September 30, 2020 and 2019, respectively.

b. Defined benefit plans

The Group recognized pension amounts of \$1,577 thousand and \$1,967 thousand for the three months ended September 30, 2020 and 2019, respectively, and \$4,731 thousand and \$5,904 thousand for the nine months ended September 30, 2020 and 2019, respectively, by using the actuarially determined pension cost rate.

21. EQUITY

a. Common stock

As of September 30, 2020, December 31, 2019, and September 30, 2019, TWM's authorized capital was \$60,000,000 thousand and capital issued and outstanding were \$35,093,765 thousand, \$34,959,441 thousand and \$34,679,531 thousand, respectively, divided into 3,509,376 thousand shares, 3,495,944 thousand shares and 3,467,953 thousand shares, respectively, which were all common stocks, at a par value of \$10 each.

As of September 30, 2020, December 31, 2019, and September 30, 2019, the bondholders of the 3rd domestic unsecured convertible bonds had requested to convert the bonds into 91,589 thousand, 88,522 thousand and 75,111 thousand common stocks, respectively. As of September 30, 2020, December 31, 2019, and September 30, 2019, TWM recognized 3,045 thousand, 13,410 thousand and 27,991 thousand of common stocks, respectively, as capital collected in advance, totaling \$30,450 thousand, \$134,104 thousand and \$279,910 thousand, respectively. TWM would complete the related corporate registrations after the issuance of new stocks on the record date in accordance with the regulations.

b. Capital surplus

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---|-------------------------------|------------------------------|-------------------------------|
| Additional paid-in capital from convertible corporate bonds | \$ 13,102,020 | \$ 14,424,786 | \$ 13,190,698 |
| Treasury stock transactions | 5,159,704 | 5,159,704 | 5,159,704 |
| Difference between consideration and carrying amount arising from the disposal of subsidiaries' stock | 85,965 | 85,965 | 85,965 |
| Changes in equity of subsidiaries | 501,215 | 501,215 | 501,215 |
| Convertible bonds payable options | 25,524 | 37,273 | 90,936 |
| Changes in equity of associates accounted for using equity method | 28,063 | 30,801 | 48,147 |
| Others | <u>34,950</u> | <u>34,950</u> | <u>33,968</u> |
| | <u>\$ 18,937,441</u> | <u>\$ 20,274,694</u> | <u>\$ 19,110,633</u> |

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

c. Appropriation of earnings and dividend policy

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

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

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

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

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

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

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

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

d. Other equity interests

| | Exchange Differences on Translation | Unrealized Gain (Loss) on Financial Assets at FVTOCI | Total |
|---|--|---|-----------------------|
| Balance, January 1, 2020 | \$ (34,505) | \$ 473,410 | \$ 438,905 |
| Exchange differences on translation | (6,989) | - | (6,989) |
| Changes in fair value of financial assets at FVTOCI | - | (812,213) | (812,213) |
| Unrealized gain of equity instruments transferred to retained earnings due to disposal | - | (1,148,079) | (1,148,079) |
| Changes in other comprehensive income of associates accounted for using equity method | (115) | 10,701 | 10,586 |
| Other comprehensive income transferred to retained earnings due to disposal of investments accounted for using equity method | - | (2,196) | (2,196) |
| Income tax effect | <u>-</u> | <u>23,106</u> | <u>23,106</u> |
| Balance, September 30, 2020 | <u>\$ (41,609)</u> | <u>\$ (1,455,271)</u> | <u>\$ (1,496,880)</u> |
| Balance, January 1, 2019 | \$ (24,398) | \$ (70,983) | \$ (95,381) |
| Exchange differences on translation | (6,883) | - | (6,883) |
| Changes in fair value of financial assets at FVTOCI | - | 14,078 | 14,078 |
| Changes in other comprehensive income of associates accounted for using equity method | 1,881 | 4,910 | 6,791 |
| Income tax effect | <u>-</u> | <u>55,229</u> | <u>55,229</u> |
| Balance, September 30, 2019 | <u>\$ (29,400)</u> | <u>\$ 3,234</u> | <u>\$ (26,166)</u> |

e. Treasury stock

As of September 30, 2020, December 31, 2019 and September 30, 2019, TWM's stocks held for the investment purposes by TCCI, TUI and TID, which are all wholly-owned by TWM, were 698,752 thousand shares, and the market values were \$67,499,405 thousand, \$78,260,179 thousand and \$78,260,179 thousand, respectively. Since TWM's stocks held by its subsidiaries are regarded as treasury stock, TWM recognized \$29,717,344 thousand as treasury stock. For those treasury stockholders, they have the same rights as the other stockholders, except that they are not allowed to subscribe new shares issued by TWM for cash and exercise the voting rights over such treasury stock.

f. Non-controlling interests

| | For the Nine Months Ended September 30 | |
|--|---|---------------------|
| | 2020 | 2019 |
| Beginning balance | \$ 6,158,984 | \$ 6,112,176 |
| Effect of retrospective application | <u>-</u> | <u>16,275</u> |
| Adjusted beginning balance | 6,158,984 | 6,128,451 |
| Portion attributable to non-controlling interests | | |
| Profit | 762,202 | 568,461 |
| Exchange differences on translation | (7,886) | (6,841) |
| Unrealized gain on financial asset at FVTOCI | 157 | 2,308 |
| Share of other comprehensive income of associates accounted for using equity method | 18,572 | 6,008 |
| Changes in equity of associates accounted for using equity method | (1,491) | - |
| Changes in capital surplus due to disposal of investments accounted for using equity method | (3,344) | - |
| Cash dividends paid to non-controlling interests of subsidiaries | <u>(655,043)</u> | <u>(693,361)</u> |
| Ending balance | <u>\$ 6,272,151</u> | <u>\$ 6,005,026</u> |

22. OPERATING REVENUES

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|--|--|----------------------|---|----------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenue from contracts with customers | | | | |
| Telecommunications and value-added services | \$ 11,090,292 | \$ 11,988,429 | \$ 33,522,595 | \$ 36,399,014 |
| Sales revenue | 18,374,079 | 17,005,817 | 55,681,851 | 48,393,382 |
| Cable TV and broadband services | 1,516,789 | 1,485,483 | 4,523,868 | 4,498,930 |
| Other operating revenues | <u>261,817</u> | <u>346,186</u> | <u>708,981</u> | <u>1,021,813</u> |
| | <u>\$ 31,242,977</u> | <u>\$ 30,825,915</u> | <u>\$ 94,437,295</u> | <u>\$ 90,313,139</u> |

a. Contract information

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

b. Contract balances

| | September 30, 2020 | December 31, 2019 | September 30, 2019 | January 1, 2019 |
|--|-------------------------------|------------------------------|-------------------------------|----------------------------|
| Contract assets | | | | |
| Bundle sales | \$ 7,777,257 | \$ 8,366,531 | \$ 8,490,267 | \$ 8,755,126 |
| Less: Allowance for impairment loss | <u>(66,031)</u> | <u>(71,032)</u> | <u>(72,068)</u> | <u>(74,250)</u> |
| | <u>\$ 7,711,226</u> | <u>\$ 8,295,499</u> | <u>\$ 8,418,199</u> | <u>\$ 8,680,876</u> |
| Current | \$ 4,610,329 | \$ 4,832,043 | \$ 4,911,308 | \$ 5,472,357 |
| Non-current | <u>3,100,897</u> | <u>3,463,456</u> | <u>3,506,891</u> | <u>3,208,519</u> |
| | <u>\$ 7,711,226</u> | <u>\$ 8,295,499</u> | <u>\$ 8,418,199</u> | <u>\$ 8,680,876</u> |

For notes and accounts receivable, refer to Note 8.

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

| | September 30, 2020 | December 31, 2019 | September 30, 2019 | January 1, 2019 |
|--|-------------------------------|------------------------------|-------------------------------|----------------------------|
| Contract liabilities | | | | |
| Telecommunications and value-added services | \$ 1,035,277 | \$ 1,125,265 | \$ 1,040,291 | \$ 1,235,446 |
| Sales of goods | 36,578 | 42,417 | 24,344 | 141,343 |
| Cable TV and broadband services | 666,547 | 672,667 | 695,596 | 694,228 |
| Others | <u>14,935</u> | <u>12,351</u> | <u>13,926</u> | <u>15,920</u> |
| | <u>\$ 1,753,337</u> | <u>\$ 1,852,700</u> | <u>\$ 1,774,157</u> | <u>\$ 2,086,937</u> |
| Current | \$ 1,701,749 | \$ 1,807,407 | \$ 1,726,286 | \$ 2,030,793 |
| Non-current | <u>51,588</u> | <u>45,293</u> | <u>47,871</u> | <u>56,144</u> |
| | <u>\$ 1,753,337</u> | <u>\$ 1,852,700</u> | <u>\$ 1,774,157</u> | <u>\$ 2,086,937</u> |

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

c. Assets related to contract costs

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|--|-------------------------------|------------------------------|-------------------------------|
| Incremental costs of obtaining a contract - non-current | <u>\$ 1,780,975</u> | <u>\$ 2,119,052</u> | <u>\$ 2,243,280</u> |

The Group considered the past experience and the default clauses in the sale contracts and believed the commission and the subsidy paid for obtaining a contract are wholly recoverable, therefore, such costs are capitalized. Amortization recognized for the three months ended September 30, 2020 and 2019 were \$406,298 thousand and \$593,316 thousand, respectively, and for the nine months ended September 30, 2020 and 2019 were \$1,331,557 thousand and \$1,950,516 thousand, respectively.

23. NON-OPERATING INCOME AND EXPENSES

a. Other income

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|-----------------|--|------------|---|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Dividend income | \$ 94,364 | \$ 110,773 | \$ 102,762 | \$ 117,211 |
| Other income | 3,388 | 19,387 | 13,293 | 56,021 |
| | \$ 97,752 | \$ 130,160 | \$ 116,055 | \$ 173,232 |

b. Other gains and losses, net

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|--|-------------|---|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| Loss on disposal of property, plant and equipment, net | \$ (16,315) | \$ (16,768) | \$ (40,113) | \$ (54,305) |
| Gain on disposal of intangible assets | - | - | 8,800 | - |
| Gain on disposal of investments accounted for using equity method | 15,365 | - | 73,859 | - |
| Valuation gain (loss) on financial assets at FVTPL | - | (580) | (149) | 3,390 |
| Valuation gain on financial liabilities at FVTPL | - | - | - | 1,819 |
| Loss on foreign exchange, net | (6,909) | (10,094) | (10,505) | (14,546) |
| Others | 788 | (733) | 375 | (2,471) |
| | \$ (7,071) | \$ (28,175) | \$ 32,267 | \$ (66,113) |

c. Finance costs

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|----------------------------|--|-------------------|---|-------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Interest expense | | | | |
| Bank loans | \$ 41,660 | \$ 52,094 | \$ 148,144 | \$ 135,795 |
| Corporate bonds | 72,346 | 58,803 | 185,083 | 196,773 |
| Lease liabilities | 20,993 | 24,600 | 66,000 | 73,408 |
| Others | 22,023 | 7,741 | 60,145 | 31,368 |
| | <u>157,022</u> | <u>143,238</u> | <u>459,372</u> | <u>437,344</u> |
| Less: Capitalized interest | <u>-</u> | <u>(1,318)</u> | <u>-</u> | <u>(3,706)</u> |
| | <u>\$ 157,022</u> | <u>\$ 141,920</u> | <u>\$ 459,372</u> | <u>\$ 433,638</u> |
| Capitalization rates | - | 1.34% | - | 1.34% |

24. INCOME TAX

a. Income tax recognized in profit or loss

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|-----------------------------|--|-------------------|---|---------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Current income tax expense | | | | |
| Current period | \$ 694,716 | \$ 812,556 | \$ 2,181,878 | \$ 2,347,933 |
| Prior years' adjustment | (10,590) | 1,959 | (18,313) | 49,670 |
| Others | - | - | - | (17,079) |
| | <u>684,126</u> | <u>814,515</u> | <u>2,163,565</u> | <u>2,380,524</u> |
| Deferred income tax expense | | | | |
| Temporary differences | <u>59,623</u> | <u>26,223</u> | <u>158,530</u> | <u>87,161</u> |
| Income tax expense | <u>\$ 743,749</u> | <u>\$ 840,738</u> | <u>\$ 2,322,095</u> | <u>\$ 2,467,685</u> |

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

b. Income tax recognized in other comprehensive income

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|--|--|-----------------|---|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Deferred income tax income | | | | |
| Unrealized gain on financial assets at FVTOCI | <u>\$ 9,987</u> | <u>\$ 2,470</u> | <u>\$ 23,106</u> | <u>\$ 55,229</u> |

c. Income tax examinations

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

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

25. EARNINGS PER SHARE

| | For the Three Months Ended September 30, 2020 | | |
|--|--|--|-----------------------|
| | Amount After Income Tax | Weighted- average Number of Shares (In Thousands) | EPS (NT\$) |
| Basic EPS | | | |
| Profit attributable to owners of the parent | \$ 2,818,867 | 2,812,725 | <u>\$ 1.01</u> |
| Effect of potential dilutive common stock: | | | |
| Employees' compensation | - | 2,961 | |
| Convertible bonds | <u>1,658</u> | <u>7,610</u> | |
| Diluted EPS | | | |
| Profit attributable to owners of the parent (adjusted for potential effect of common stock) | <u>\$ 2,820,525</u> | <u>2,823,296</u> | <u>\$ 1.00</u> |

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

| | For the Nine Months Ended September 30, 2020 | | |
|--|---|--|-----------------------|
| | Amount After Income Tax | Weighted- average Number of Shares (In Thousands) | EPS (NT\$) |
| Basic EPS | | | |
| Profit attributable to owners of the parent | \$ 9,181,100 | 2,811,327 | <u>\$ 3.27</u> |
| Effect of potential dilutive common stock: | | | |
| Employees' compensation | - | 3,712 | |
| Convertible bonds | <u>5,831</u> | <u>9,008</u> | |
| Diluted EPS | | | |
| Profit attributable to owners of the parent (adjusted for potential effect of common stock) | <u>\$ 9,186,931</u> | <u>2,824,047</u> | <u>\$ 3.25</u> |

| | For the Nine Months Ended September 30, 2019 | | |
|--|---|--|-----------------------|
| | Amount After Income Tax | Weighted- average Number of Shares (In Thousands) | EPS (NT\$) |
| Basic EPS | | | |
| Profit attributable to owners of the parent | \$ 9,530,067 | 2,754,546 | <u>\$ 3.46</u> |
| Effect of potential dilutive common stock: | | | |
| Employees' compensation | - | 3,144 | |
| Convertible bonds | <u>42,480</u> | <u>65,371</u> | |
| Diluted EPS | | | |
| Profit attributable to owners of the parent (adjusted for potential effect of common stock) | <u>\$ 9,572,547</u> | <u>2,823,061</u> | <u>\$ 3.39</u> |

Since TWM has the discretion to settle the employees' compensation by cash or stock, TWM should presume that the entire amount of the compensation will be settled in stock, and the potential stock dilution should be included in the weighted-average number of stock outstanding used in the calculation of diluted EPS, provided there is a dilutive effect. Such dilutive effect of the potential stock needs to be included in the calculation of diluted EPS until employees' compensation is approved in the following year.

26. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities:

For the Nine Months Ended September 30, 2020

| | Opening Balance | Cash Flows | Non-cash Changes | | Closing Balance |
|--|--------------------|----------------|------------------|--------------|--------------------|
| | | | New Leases | Others | |
| Lease liabilities (including current and non-current portions) | \$ 9,650,389 | \$ (3,005,624) | \$ 2,598,741 | \$ (258,296) | \$ 8,985,210 |

For the Nine Months Ended September 30, 2019

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

27. CAPITAL MANAGEMENT

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

28. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|--|-----------------------|----------------------|-----------------------|
| <u>Financial assets</u> | | | |
| Financial assets at FVTPL (including current and non-current portions) | \$ - | \$ 149 | \$ 2,500 |
| Financial assets at FVTOCI (including current and non-current portions) | 3,558,808 | 5,492,381 | 5,036,017 |
| Financial assets measured at amortized cost (including current and non-current portions) (Note 1) | <u>21,266,331</u> | <u>20,722,936</u> | <u>24,646,538</u> |
| Total | <u>\$ 24,825,139</u> | <u>\$ 26,215,466</u> | <u>\$ 29,685,055</u> |
| <u>Financial liabilities</u> | | | |
| Financial liabilities measured at amortized cost (including current and non-current portions) (Note 2) | <u>\$ 93,581,134</u> | <u>\$ 61,453,923</u> | <u>\$ 69,833,028</u> |

Note 1: The balances comprise cash and cash equivalents, notes and accounts receivable, other receivables, other financial assets and refundable deposits, which were financial assets measured at amortized cost.

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

b. Fair value of financial instruments

1) Financial instruments not at fair value

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

| | <u>September 30, 2020</u> | | <u>December 31, 2019</u> | | <u>September 30, 2019</u> | |
|--|---------------------------|-------------------|--------------------------|-------------------|---------------------------|-------------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| <u>Financial liabilities</u> | | | | | | |
| Bonds payable (including current portion) | \$ 35,602,395 | \$ 35,811,727 | \$ 15,903,436 | \$ 16,077,220 | \$ 21,714,289 | \$ 22,082,667 |

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

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

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

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

September 30, 2020

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

(Continued)

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------|---------------------|-----------------|---------------------|---------------------|
| <u>Financial assets at FVTOCI</u> | | | | |
| Equity instruments | | | | |
| Domestic listed stocks | \$ 2,530,167 | \$ - | \$ - | \$ 2,530,167 |
| Domestic unlisted stocks | - | - | 651,898 | 651,898 |
| Limited partnerships | - | - | 342,335 | 342,335 |
| Foreign unlisted stocks | - | 3,609 | 30,799 | 34,408 |
| | <u>\$ 2,530,167</u> | <u>\$ 3,609</u> | <u>\$ 1,025,032</u> | <u>\$ 3,558,808</u> |
| | | | | (Concluded) |

December 31, 2019

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

Financial assets at FVTOCI

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

September 30, 2019

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|----------------|----------------|----------------|--------------|
| <u>Financial assets at FVTPL</u> | | | | |
| Equity instruments | | | | |
| Limited partnerships | \$ - | \$ - | \$ 2,500 | \$ 2,500 |

(Continued)

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

(Concluded)

There was no transfer between the fair value measurements of Levels 1 and 2 for the nine months ended September 30, 2020 and 2019.

Valuation techniques and assumptions used in fair value determination

- a) The fair value of financial instruments traded in active markets is based on quoted market prices (including stocks and funds of publicly traded companies).
- b) Valuation techniques and inputs applied for Level 2 fair value measurement:

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

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

Equity instruments

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

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

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

For the Nine Months Ended September 30, 2020

| | Financial Assets at FVTPL - Equity Instruments | Financial Assets at FVTOCI - Equity Instruments |
|--|---|--|
| Balance at January 1, 2020 | \$ 149 | \$ 665,372 |
| Additions | - | 500,000 |
| Recognized in profit or loss (loss on financial assets at FVTPL) | (149) | - |
| Recognized in other comprehensive income (unrealized loss on financial assets at FVTOCI) | <u>-</u> | <u>(140,340)</u> |
| Balance at September 30, 2020 | <u>\$ -</u> | <u>\$1,025,032</u> |

For the Nine Months Ended September 30, 2019

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

c. Financial risk management

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

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

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

2) Risk management framework

a) Decision-making mechanism

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

b) Risk management policies

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

c) Monitoring mechanism

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

3) Credit risk

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

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

4) Liquidity risk

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

The Group manages and maintains sufficient level of capital to ensure the requirements of paying estimated operating expenditures, including financial obligations on each contract. The Group also monitors its bank credit facilities to ensure that the Group fully complies with the provisions and financial covenants of loan contracts. As of September 30, 2020, December 31, 2019 and September 30, 2018, the Group had unused bank facilities of \$60,625,319 thousand, \$56,641,022 thousand and \$52,491,122 thousand, respectively.

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

| | Contractual Cash Flows | Within 1 Year | 1-5 Years | More Than 5 Years |
|---------------------------------------|-----------------------------------|----------------------|----------------------|------------------------------|
| <u>September 30, 2020</u> | | | | |
| Unsecured loans | \$ 17,130,303 | \$ 17,130,303 | \$ - | \$ - |
| Secured loans | 2,852,113 | 348,904 | 2,503,209 | - |
| Short-term notes and bills payable | 17,300,000 | 17,300,000 | - | - |
| Bonds payable | 37,221,840 | 274,880 | 21,634,960 | 15,312,000 |
| Lease liabilities | <u>9,116,734</u> | <u>3,525,365</u> | <u>5,537,113</u> | <u>54,256</u> |
| | <u>\$ 83,620,990</u> | <u>\$ 38,579,452</u> | <u>\$ 29,675,282</u> | <u>\$ 15,366,256</u> |
| <u>December 31, 2019</u> | | | | |
| Unsecured loans | \$ 22,351,278 | \$ 16,337,490 | \$ 6,013,788 | \$ - |
| Secured loans | 3,127,824 | 360,411 | 2,767,413 | - |
| Short-term notes and bills payable | 1,900,000 | 1,900,000 | - | - |
| Bonds payable | 16,674,020 | 140,880 | 7,443,140 | 9,090,000 |
| Lease liabilities | <u>9,814,113</u> | <u>3,605,364</u> | <u>6,173,611</u> | <u>35,138</u> |
| | <u>\$ 53,867,235</u> | <u>\$ 22,344,145</u> | <u>\$ 22,397,952</u> | <u>\$ 9,125,138</u> |
| <u>September 30, 2019</u> | | | | |
| Unsecured loans | \$ 21,764,588 | \$ 15,734,763 | \$ 6,029,825 | \$ - |
| Secured loans | 3,193,787 | 361,957 | 999,562 | 1,832,268 |
| Short-term notes and bills payable | 1,200,004 | 1,200,004 | - | - |
| Bonds payable | 22,574,020 | 4,701,180 | 8,782,840 | 9,090,000 |
| Lease liabilities | <u>10,073,738</u> | <u>3,608,086</u> | <u>6,385,303</u> | <u>80,349</u> |
| | <u>\$ 58,806,137</u> | <u>\$ 25,605,990</u> | <u>\$ 22,197,530</u> | <u>\$ 11,002,617</u> |

5) Market risk

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

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

a) Exchange rate risk

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

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

| | September 30, 2020 | | |
|-------------------------------------|---------------------------|----------------------|---------------------------|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Foreign currency assets</u> | | | |
| Monetary items | | | |
| USD | \$ 57,799 | \$ 29.12 | \$ 1,682,984 |
| EUR | 981 | 34 | 33,340 |
| RMB | 28,028 | 4.266 | 119,566 |
| Non-monetary items | | | |
| USD | 12,814 | 29.12 | 373,134 |
| RMB | 135,274 | 4.266 | 577,080 |
| HKD | 961 | 3.757 | 3,609 |
| THB | 164,873 | 0.924 | 152,376 |
| <u>Foreign currency liabilities</u> | | | |
| Monetary items | | | |
| USD | 12,920 | 29.12 | 376,090 |
| EUR | 71 | 34 | 2,418 |
| HKD | 6,245 | 3.757 | 23,464 |
| JPY | 32,378 | 0.276 | 8,930 |
| | December 31, 2019 | | |
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Foreign currency assets</u> | | | |
| Monetary items | | | |
| USD | \$ 50,271 | 30.02 | \$ 1,509,081 |
| EUR | 1,162 | 33.62 | 39,057 |
| RMB | 29,446 | 4.299 | 126,589 |
| Non-monetary items | | | |
| USD | 16,384 | 30.02 | 491,857 |
| RMB | 130,270 | 4.299 | 560,029 |
| HKD | 1,921 | 3.855 | 7,407 |
| THB | 118,371 | 1.01 | 119,531 |

(Continued)

| | December 31, 2019 | | |
|-------------------------------------|---------------------------|----------------------|---------------------------|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Foreign currency liabilities</u> | | | |
| Monetary items | | | |
| USD | \$ 15,795 | 30.02 | \$ 474,108 |
| EUR | 97 | 33.62 | 3,251 |
| HKD | 9,326 | 3.855 | 35,950 |
| JPY | 38,710 | 0.275 | 10,645 |
| | | | (Concluded) |

| | September 30, 2019 | | |
|--------------------------------|---------------------------|----------------------|---------------------------|
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Foreign currency assets</u> | | | |
| Monetary items | | | |
| USD | \$ 53,841 | 31.02 | \$ 1,670,089 |
| EUR | 1,152 | 33.87 | 39,004 |
| RMB | 28,133 | 4.356 | 122,549 |
| Non-monetary items | | | |
| USD | 17,115 | 31.02 | 530,922 |
| RMB | 163,227 | 4.356 | 711,017 |
| HKD | 1,965 | 3.956 | 7,774 |
| THB | 121,892 | 1.021 | 124,391 |

Foreign currency liabilities

| | | | |
|----------------|--------|-------|---------|
| Monetary items | | | |
| USD | 20,075 | 31.02 | 622,697 |
| EUR | 185 | 33.87 | 6,279 |
| HKD | 9,809 | 3.956 | 38,805 |
| JPY | 39,580 | 0.288 | 11,389 |

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

Sensitivity analysis

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts denominated in monetary items of foreign currencies. If there had been an unfavorable 5% movement in the levels of foreign exchanges against NTD at the end of the reporting period (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have decreased by \$71,249 thousand and \$57,624 thousand for the nine months ended September 30, 2020 and 2019, respectively.

b) Interest rate risk

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

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

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|-------------------------------|-------------------------------|------------------------------|-------------------------------|
| Fair value interest rate risk | | | |
| Financial assets | \$ 6,373,896 | \$ 5,763,639 | \$ 5,565,428 |
| Financial liabilities | 77,946,576 | 41,837,415 | 45,657,287 |
| Cash flow interest rate risk | | | |
| Financial assets | 4,986,376 | 3,697,273 | 8,054,962 |
| Financial liabilities | 3,086,862 | 9,859,372 | 9,540,209 |

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 increased by \$7,123 thousand and decreased by \$5,570 thousand for the nine months ended September 30, 2020 and 2019, respectively.

c) Other market price risk

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

Sensitivity analysis

If the prices of equity instruments had decreased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), profit would have decreased by \$125 thousand since the fair value of financial assets at FVTPL decreased for the nine months ended September 30, 2019, and other comprehensive income would have decreased by \$177,940 thousand and \$251,801 thousand since the fair value of financial assets at FVTOCI decreased for the nine months ended September 30, 2020 and 2019, respectively.

29. RELATED-PARTY TRANSACTIONS

- a. Parent company and ultimate controlling party

TWM is the ultimate controlling party of the Group.

- b. Related party name and nature of relationship

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

(Continued)

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

(Concluded)

c. Significant transactions with related parties

1) Operating revenue

| | <u>For the Three Months Ended September 30</u> | | <u>For the Nine Months Ended September 30</u> | |
|-----------------------|--|-------------------|---|-------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Associates | \$ 11,854 | \$ 15,183 | \$ 41,443 | \$ 60,232 |
| Other related parties | <u>245,257</u> | <u>241,688</u> | <u>658,647</u> | <u>650,725</u> |
| | <u>\$ 257,111</u> | <u>\$ 256,871</u> | <u>\$ 700,090</u> | <u>\$ 710,957</u> |

The Group renders telecommunications, sales, maintenance, lease services, etc., to the related parties. The transaction terms with related parties were not significantly different from those with third parties.

2) Purchases

| | <u>For the Three Months Ended September 30</u> | | <u>For the Nine Months Ended September 30</u> | |
|-----------------------|--|-------------------|---|-------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Associates | \$ 207,564 | \$ 191,478 | \$ 595,819 | \$ 381,980 |
| Other related parties | <u>87,302</u> | <u>90,413</u> | <u>214,835</u> | <u>296,077</u> |
| | <u>\$ 294,866</u> | <u>\$ 281,891</u> | <u>\$ 810,654</u> | <u>\$ 678,057</u> |

The entities mentioned above provide logistics, copyright, member service costs and other services. The transaction terms with related parties were not significantly different from those with third parties.

3) Receivables due from related parties

| Account | Related Party Categories | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|---------------------|---------------------------------|---------------------------|--------------------------|---------------------------|
| Accounts receivable | Associates | \$ 12,147 | \$ 4,729 | \$ 11,889 |
| Accounts receivable | Other related parties | <u>156,518</u> | <u>141,457</u> | <u>143,983</u> |
| | | <u>\$ 168,665</u> | <u>\$ 146,186</u> | <u>\$ 155,872</u> |
| Other receivables | Associates | \$ 54,821 | \$ 63,988 | \$ 109,435 |
| Other receivables | Other related parties | <u>135,826</u> | <u>65,285</u> | <u>110,254</u> |
| | | <u>\$ 190,647</u> | <u>\$ 129,273</u> | <u>\$ 219,689</u> |

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

4) Payables due to related parties

| Account | Related Party Categories | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|------------------|---------------------------------|---------------------------|--------------------------|---------------------------|
| Accounts payable | Associates | \$ 86,157 | \$ 101,077 | \$ 111,406 |
| Accounts payable | Other related parties | <u>52,444</u> | <u>34,085</u> | <u>68,720</u> |
| | | <u>\$ 138,601</u> | <u>\$ 135,162</u> | <u>\$ 180,126</u> |
| Other payables | Other related parties | <u>\$ 11,134</u> | <u>\$ 13,723</u> | <u>\$ 12,701</u> |

5) Prepayments

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|-----------------------|---------------------------|--------------------------|---------------------------|
| Other related parties | <u>\$ 31,719</u> | <u>\$ 15,803</u> | <u>\$ 29,386</u> |

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

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|-----------------------|---------------------------|--------------------------|---------------------------|
| Other related parties | | | |
| TFCB | \$ 1,586,147 | \$ 2,102,334 | \$ 7,150,605 |
| Others | <u>24,837</u> | <u>18,736</u> | <u>16,864</u> |
| | <u>\$ 1,610,984</u> | <u>\$ 2,121,070</u> | <u>\$ 7,167,469</u> |

7) Cash equivalents

For the Nine Months Ended September 30, 2019

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

8) Acquisition of investments accounted for using equity method

For the Nine Months Ended September 30, 2020

| Related Party | Target | Shares (In Thousands) | Purchase Price |
|----------------------|-------------------|------------------------------|-----------------------|
| AppWorks Fund III | AppWorks Fund III | 33,000 | <u>\$ 330,000</u> |

For the Nine Months Ended September 30, 2019

| Related Party | Target | Shares (In Thousands) | Purchase Price |
|-----------------------------|---------------|------------------------------|-----------------------|
| Jamie Lin, President of TWM | AppWorks | 387 | <u>\$ 62,000</u> |

9) Financial assets at FVTPL - current

For the Nine Months Ended September 30, 2019

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

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

10) Others

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|--|---------------------------|--------------------------|---------------------------|
| Guarantee deposits | | | |
| Other related parties | <u>\$ 60,040</u> | <u>\$ 54,256</u> | <u>\$ 54,117</u> |
| Other current liabilities - receipts under custody | | | |
| Other related parties | <u>\$ 127,749</u> | <u>\$ 123,993</u> | <u>\$ 105,472</u> |

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|-----------------------|--|-------------------|---|-------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Operating expenses | | | | |
| Other related parties | | | | |
| TMF | \$ 4,800 | \$ 4,800 | \$ 15,650 | \$ 13,100 |
| TNHF | - | - | 5,000 | 5,000 |
| TFCB | 47,217 | 65,293 | 142,455 | 193,508 |
| Others | <u>32,325</u> | <u>42,966</u> | <u>126,973</u> | <u>130,518</u> |
| | <u>\$ 84,342</u> | <u>\$ 113,059</u> | <u>\$ 290,078</u> | <u>\$ 342,126</u> |
| Other income | | | | |
| Other related parties | | | | |
| TFCB | \$ 16,219 | \$ - | \$ 47,427 | \$ - |
| Others | <u>642</u> | <u>15,308</u> | <u>642</u> | <u>15,308</u> |
| | <u>\$ 16,861</u> | <u>\$ 15,308</u> | <u>\$ 48,069</u> | <u>\$ 15,308</u> |

11) Lease arrangements

Acquisition of right-of-use assets

| | For the Nine Months Ended September 30 | |
|-----------------------|---|------------------|
| | 2020 | 2019 |
| Other related parties | <u>\$ 10,045</u> | <u>\$ 89,995</u> |

Lease liabilities (including current and non-current portions)

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|-----------------------|-------------------------------|------------------------------|-------------------------------|
| Other related parties | <u>\$ 454,981</u> | <u>\$ 611,736</u> | <u>\$ 662,477</u> |

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

d. Key management compensation

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

| | For the Three Months Ended September 30 | | For the Nine Months Ended September 30 | |
|---|--|------------------|---|-------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Short-term employee benefits | \$ 75,740 | \$ 59,426 | \$ 220,374 | \$ 202,036 |
| Termination and post-employment benefits | <u>957</u> | <u>889</u> | <u>6,792</u> | <u>17,591</u> |
| | <u>\$ 76,697</u> | <u>\$ 60,315</u> | <u>\$ 227,166</u> | <u>\$ 219,627</u> |

30. ASSETS PLEDGED

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

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|------------------------------------|-----------------------|----------------------|-----------------------|
| Other current financial assets | \$ 162,453 | \$ 165,201 | \$ 168,863 |
| Services concessions | 6,836,014 | 6,970,053 | 7,014,733 |
| Other non-current financial assets | <u>307,067</u> | <u>271,653</u> | <u>208,224</u> |
| | <u>\$ 7,305,534</u> | <u>\$ 7,406,907</u> | <u>\$ 7,391,820</u> |

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

| | September 30, 2020 | December 31, 2019 | September 30, 2019 |
|--|-----------------------|----------------------|-----------------------|
| Purchases of property, plant and equipment | <u>\$ 13,739,178</u> | <u>\$ 3,670,907</u> | <u>\$ 3,979,264</u> |
| Purchases of cellular phones | <u>\$ 2,987,843</u> | <u>\$ 2,268,710</u> | <u>\$ 3,749,548</u> |

As of September 30, 2020, December 31, 2019 and September 30, 2019, the amounts of lease commitments commencing after the balance sheet date were \$686,143 thousand, \$648,683 thousand and \$418,455 thousand, respectively.

b. As of September 30, 2020, December 31, 2019 and September 30, 2019, the amounts of endorsements and guarantees provided to entities in the Group were all \$21,550,000 thousand.

c. In accordance with the NCC's policy and regulations, TWM entered into a contract with DBS Bank Ltd., which provided a performance guarantee for advance receipts from prepaid cards and electronic gift certificates, totaling \$487,581 thousand and \$17,836 thousand, respectively, as of September 30, 2020.

In accordance with the NCC's policy and regulations, cable television companies should provide performance bonds based on a certain proportion of the advance receipts from their subscribers. As of September 30, 2020, the cable television companies had provided \$74,386 thousand as performance bonds, classified as other non-current financial assets.

In accordance with the Ministry of Economic Affairs' policy and regulations, momo entered into a contract with First Commercial Bank Co., Ltd., which provided a performance guarantee for advance receipts from prepaid bonuses and electronic tickets totaling \$97,098 thousand and \$37,832 thousand, respectively, as of September 30, 2020.

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

1) Construction and operating period:

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

2) Development concession:

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

3) Performance guarantee:

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

4) Rental of land:

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

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

- e. In August 2015, Far EasTone Telecommunications (FET) filed a civil statement of complaint with the Court, in which FET claimed that (i) TWM shall apply for the return the C4 spectrum block (1748.7-1754.9/1843.7-1849.9 MHz) back to the NCC; (ii) TWM shall not use the C4 spectrum block; (iii) TWM shall not use the C1 spectrum block until TWM's application for the return of the C4 spectrum block is approved by the NCC; and (iv) TWM shall provide \$1,005,800 thousand to FET as compensation. In May 2016, the Court decided against TWM regarding claims (i), (ii), and (iii) of the lawsuit; and the Court decided against FET regarding claim (iv) of the lawsuit. FET offered a security deposit of \$320,630 thousand for the provisional execution of claims (i) to (iv). TWM offered a counter-security deposit of \$961,913 thousand in order to be exempted from the provisional execution of claims (i) to (iv). In addition, TWM offered a counter-security deposit for the exemption from provisional execution of the sentence, and the counter-security deposit was reclaimed in March 2018. TWM and FET appealed the aforementioned sentences respectively. The judgment dismissed by the High Court were as follows: 1. (1) TWM "shall apply for the return of the C4 spectrum block to the NCC immediately", "shall not use the C4 spectrum block in any way", and "TWM shall not use the C1 spectrum block before the C4 spectrum block has been returned to and approved by the NCC", and (2) the claim stated in section 2(2) below, in which the corresponding portion of FET's claimed provisional execution and litigation expenses were rejected. 2. (1) For the dismissed portion stated in the above section (1), FET's claim and motion of provisional execution in the first instance were rejected; and (2) for the dismissed portion stated in the above section 1(2), TWM shall pay FET \$765,779 thousand, as well as a 5% annual interest payment, for the period starting from September 5, 2015 to the payment date, on \$152,584 thousand of the above amount. 3. The rest of FET's appeals were rejected. 4. TWM shall bear half of the litigation expenses in the first and second instances, and FET shall bear the rest. 5. Regarding the portion of the judgment regarding TWM's payment, FET may file a provisional execution with a collateral of \$255,260 thousand or a negotiable certificate deposit (NCD) issued by Far Eastern International Bank for the equal amount; and TWM may provide a counter-security of \$765,779 thousand to be exempted from the above FET provisional execution. 6. The rest of FET's motions on provisional execution were rejected. TWM and FET appealed the sentence respectively. In May 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. Under the first retrial of the High Court, TWM filed a counterclaim requesting that FET pay \$14,482 thousand, as well as a 5% annual interest payment, for the period starting from the date following the service of the counterclaim until the

settlement date. In August 2020, the judgment dismissed by the High Court first retrial were as follows: regarding the portion of the High Court's original judgment on dismissing FET's claim stated below, in which the corresponding portion of FET's claimed provisional execution and litigation expenses (except the part of final and binding judgement) were rejected. For the dismissed portion stated in the above, TWM shall pay FET \$242,154 thousand as well as, a 5% annual interest payment, for the period starting from September 30, 2016 to the payment date, on \$142,685 thousand of the above amount; and a 5% annual interest payment, for the period starting from July 21, 2017 to the payment date, on \$99,469 thousand of the above amount. The rest of FET's appeals were rejected. TWM's counterclaim and the motion of provisional execution were rejected. FET shall bear 75% of the litigation expenses in the first and the second trial (except for the part of the final and binding judgement) as well as the third trial prior to the remand; and TWM shall bear the rest. TWM shall bear the litigation expenses of the counterclaim. Regarding the portion of the judgment regarding TWM's payment, FET may file a provisional execution with a collateral of \$80,720 thousand; and TWM may provide a counter-security of \$242,154 thousand to be exempted from the above provisional execution. TWM and FET appealed the sentence respectively. The case is now in the process of the Supreme Court.

32. OTHERS

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

| | For the Three Months Ended September 30 | | | | | |
|--------------------|---|--|--------------|-------------------------------------|--|--------------|
| | 2020 | | | 2019 | | |
| | Classified as Operating Costs | Classified as Operating Expenses | Total | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Employee benefits | | | | | | |
| Salary | \$ 623,427 | \$ 1,225,799 | \$ 1,849,226 | \$ 555,454 | \$ 1,151,468 | \$ 1,706,922 |
| Insurance expenses | 53,458 | 105,939 | 159,397 | 46,770 | 102,802 | 149,572 |
| Pension | 28,312 | 55,654 | 83,966 | 25,565 | 52,407 | 77,972 |
| Others | 29,869 | 68,104 | 97,973 | 26,477 | 67,233 | 93,710 |
| Depreciation | 2,482,104 | 250,741 | 2,732,845 | 2,918,046 | 248,733 | 3,166,779 |
| Amortization | 1,141,437 | 484,749 | 1,626,186 | 759,607 | 691,012 | 1,450,619 |
| | | | | | | |
| | For the Nine Months Ended September 30 | | | | | |
| | 2020 | | | 2019 | | |
| | Classified as Operating Costs | Classified as Operating Expenses | Total | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Employee benefits | | | | | | |
| Salary | \$ 1,856,407 | \$ 3,705,392 | \$ 5,561,799 | \$ 1,664,039 | \$ 3,486,314 | \$ 5,150,353 |
| Insurance expenses | 159,035 | 316,855 | 475,890 | 139,846 | 308,537 | 448,383 |
| Pension | 83,741 | 164,625 | 248,366 | 75,593 | 156,901 | 232,494 |
| Others | 88,173 | 194,526 | 282,699 | 77,589 | 194,625 | 272,214 |
| Depreciation | 7,450,514 | 755,917 | 8,206,431 | 8,971,625 | 751,970 | 9,723,595 |
| Amortization | 2,683,495 | 1,592,741 | 4,276,236 | 2,276,598 | 2,256,410 | 4,533,008 |

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 \$87,896 thousand, \$102,984 thousand, \$285,986 thousand and \$300,488 thousand, and remuneration to directors were \$8,790 thousand, \$10,299 thousand, \$28,599 thousand and \$30,049 thousand, which were calculated by applying the rates to the aforementioned profit before income tax, for the three months and the nine months ended September 30, 2020 and 2019, respectively.

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

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

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

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

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

33. ADDITIONAL DISCLOSURES

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

11) Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 9 (attached)

c. Information on investment in mainland China:

1) The names of investees in mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 10 (attached)

2) Significant direct or indirect transactions with the investee companies, the prices and terms of payment, unrealized gain or loss, and other related information, which is helpful to understand the impact of investment in mainland China on financial reports: Table 9 (attached)

d. Information of major stockholders, the name, the number of stocks owned, and percentage of ownership of each stockholder with ownership of 5% or greater: Table 11 (attached)

34. SEGMENT INFORMATION

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

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

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

Cable television: providing pay TV and cable broadband services.

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

| For the Three Months Ended September 30, 2020 | Telecommuni- cations | Retail | Cable Television | Others | Adjustments and Eliminations | Total |
|--|---------------------------------|---------------|-----------------------------|---------------|---|--------------|
| Operating revenues | \$14,435,094 | \$15,582,993 | \$ 1,561,796 | \$ 150,212 | \$ (487,118) | \$31,242,977 |
| Operating costs | 9,099,486 | 14,155,437 | 805,759 | 82,564 | (419,049) | 23,724,197 |
| Operating expenses | 2,720,314 | 994,315 | 203,642 | 12,860 | (131,510) | 3,799,621 |
| Net other income and expenses | 111,682 | 24,457 | (1,098) | 1,111 | (12,553) | 123,599 |
| Profit | 2,726,976 | 457,698 | 551,297 | 55,899 | 50,888 | 3,842,758 |
| EBITDA (Note) | 6,253,215 | 659,967 | 728,845 | 104,253 | 49,211 | 7,795,491 |
| For the Three Months Ended September 30, 2019 | Telecommuni- cations | Retail | Cable Television | Others | Adjustments and Eliminations | Total |
| Operating revenues | \$17,176,506 | \$12,371,510 | \$ 1,523,292 | \$ 149,653 | \$ (395,046) | \$30,825,915 |
| Operating costs | 10,978,647 | 11,181,313 | 792,395 | 86,671 | (347,128) | 22,691,898 |
| Operating expenses | 2,972,035 | 863,109 | 191,411 | 12,626 | (66,604) | 3,972,577 |
| Net other income and expenses | 112,192 | 4,614 | 9,241 | - | (11,074) | 114,973 |
| Profit | 3,338,016 | 331,702 | 548,727 | 50,356 | 7,612 | 4,276,413 |
| EBITDA (Note) | 6,909,971 | 512,380 | 776,649 | 103,353 | (1,858) | 8,300,495 |

| For the Nine Months Ended September 30, 2020 | | | | | Adjustments and | |
|--|-------------------------|--------------|---------------------|------------|--------------------|--------------|
| | Telecommuni- cations | Retail | Cable Television | Others | Eliminations | Total |
| Operating revenues | \$44,411,377 | \$46,522,804 | \$ 4,646,217 | \$ 421,787 | \$(1,564,890) | \$94,437,295 |
| Operating costs | 27,247,672 | 42,172,241 | 2,376,847 | 244,386 | (1,326,511) | 70,714,635 |
| Operating expenses | 8,331,400 | 2,941,516 | 592,496 | 41,618 | (389,535) | 11,517,495 |
| Net other income and expenses | 220,044 | 71,558 | (3,073) | 1,111 | (37,370) | 252,270 |
| Profit | 9,052,349 | 1,480,605 | 1,673,801 | 136,894 | 113,786 | 12,457,435 |
| EBITDA (Note) | 18,937,891 | 2,070,726 | 2,210,596 | 281,750 | 107,582 | 23,608,545 |

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

Note: The Group uses EBITDA (Operating income + Depreciation + Amortization expenses of intangible assets) as the measurement for segment profit and the basis of performance assessment.

Geographical information

The Group's revenues are generated mostly from domestic business. Overseas revenues are primarily generated from international calls and data services.

Consolidated geographic information for revenues was as follows:

| | For the Nine Months Ended September 30 | |
|-------------|---|----------------------|
| | 2020 | 2019 |
| Taiwan, ROC | \$ 92,613,487 | \$ 87,764,871 |
| Overseas | <u>1,823,808</u> | <u>2,548,268</u> |
| | <u>\$ 94,437,295</u> | <u>\$ 90,313,139</u> |

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING EXTENDED TO OTHER PARTIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars)

| No. | Lending Company | Borrowing Company | Financial Statement Account | Related Parties | Maximum Balance for the Period (Note 1) | Ending Balance (Note 1) | Drawdown Amounts | Interest Rate | Nature of Financing | Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Lending Limit for Each Borrowing Company | Lending Company's Lending Amount Limits | Note |
|-----|-----------------|----------------------------|-----------------------------|-----------------|---|-------------------------|------------------|-------------------|----------------------|---------------------|----------------------------------|-------------------------------|------------|-------|--|---|---------------|
| | | | | | | | | | | | | | Item | Value | | | |
| 1 | TCC | TWM TFC | Other receivables | Yes | \$ 400,000 | \$ 400,000 | \$ 346,000 | 0.86889%-1.09422% | Short-term financing | \$ - | Operation requirements | \$ - | - | \$ - | \$ 31,956,085 | \$ 31,956,085 | Note 2 |
| | | | Other receivables | Yes | 700,000 | 700,000 | 341,000 | 1.17033%-1.39400% | Short-term financing | - | Operation requirements | - | - | - | 31,956,085 | 31,956,085 | Note 2 |
| 2 | WMT | TWM TKT TFNM WTVB | Other receivables | Yes | 3,800,000 | 3,800,000 | 2,461,000 | 0.86889%-1.09422% | Short-term financing | - | Operation requirements | - | - | - | 8,266,852 | 8,266,852 | Note 2 |
| | | | Other receivables | Yes | 100,000 | 100,000 | - | - | Short-term financing | - | Operation requirements | - | - | - | 8,266,852 | 8,266,852 | Note 2 |
| | | | Other receivables | Yes | 2,770,000 | 2,500,000 | 1,200,000 | 0.87033%-1.09422% | Short-term financing | - | Operation requirements | - | - | - | 8,266,852 | 8,266,852 | Note 2 |
| | | | Other receivables | Yes | 1,000,000 | 1,000,000 | 735,000 | 0.86878%-1.09433% | Short-term financing | - | Operation requirements | - | - | - | 8,266,852 | 8,266,852 | Note 2 |
| 3 | TFN | TWM TCC | Other receivables | Yes | 11,000,000 | 11,000,000 | 7,323,000 | 0.86900%-1.09422% | Short-term financing | - | Operation requirements | - | - | - | 20,871,881 | 20,871,881 | Note 2 |
| | | | Other receivables | Yes | 700,000 | 700,000 | 341,000 | 0.87033%-1.09400% | Short-term financing | - | Operation requirements | - | - | - | 20,871,881 | 20,871,881 | Note 2 |
| 4 | YJCTV | TFNM | Other receivables | Yes | 100,000 | 50,000 | 50,000 | 1.09378% | Transactions | 461,043 | - | - | - | - | 461,043 | 461,043 | Notes 3 and 4 |
| 5 | PCTV | TFNM | Other receivables | Yes | 520,000 | 520,000 | 520,000 | 1.09378% | Transactions | 537,938 | - | - | - | - | 537,938 | 537,938 | Notes 3 and 4 |
| 6 | GCTV | TFNM | Other receivables | Yes | 250,000 | 250,000 | 250,000 | 1.09378% | Short-term financing | - | Repayment of financing | - | - | - | 282,184 | 282,184 | Note 3 |

Note 1: The maximum balance for the period and the ending balance represent quotas, not actual drawdown.

Note 2: Where funds are loaned for reasons of business dealings and short-term financing needs, the amount of loaned funds shall be limited to 40% of the lending company's net worth. For short-term financing needs, the aggregate amount of loaned funds shall not exceed 40% of the lending company's net worth. The individual loan funds shall be limited to the lowest amount of the following items: 1) 40% of the lending company's net worth; 2) The amount that the lending company invests in the borrowing entities; or 3) An amount equal to (the share portion of the borrowing entities that the lending company invests in) * (the total loaning amounts of the borrowing company). In the event that a lending company directly and indirectly owns 100% of the borrowing company, or the borrowing company directly and indirectly owns 100% of the lending company, the individual lending amount and the aggregate amount of loaned funds shall not exceed 40% of the lending company's net worth.

Note 3: Where funds are loaned for reasons of business dealings and short-term financing needs, the amount of loaned funds shall be limited to the total amount of business dealings and 40% of the lending company's net worth. 1) For reasons of business dealings: The individual lending amount and the aggregate amount of loaned funds shall not exceed the amount of business dealings and the total amount of business dealings, respectively. 2) For short-term financing needs: The individual lending amount and the aggregate amount of loaned funds shall not exceed 40% of the lending company's net worth.

Note 4: Where funds are loaned for reasons of business dealings, the aggregate amount of loans and the maximum amount permitted to a single borrower shall be prescribed within the aggregate amount of business transactions.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars)

| No. | Company Providing Endorsements/ Guarantees | Receiving Party | | Limits on Endorsements/ Guarantees Amount Provided to Each Entity | Maximum Balance for the Period (Note 1) | Ending Balance (Note 1) | Drawdown Amounts (Note 1) | Amount of Endorsements/ Guarantees Collateralized by Property | Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor (Note 1) | Maximum Endorsements/ Guarantees Amount Allowable | Guarantee Provided by Parent Company | Guarantee Provided by a Subsidiary | Guarantee Provided to Subsidiaries in Mainland China | Note |
|-----|--|-----------------|------------------------|---|---|-------------------------|---------------------------|---|--|---|--------------------------------------|------------------------------------|--|-------------------------|
| | | Name | Nature of Relationship | | | | | | | | | | | |
| 0 | TWM | TFN TKT | Note 2 Note 2 | \$ 42,000,000 313,800 | \$ 21,500,000 50,000 | \$ 21,500,000 50,000 | \$ 8,391,500 50,000 | \$ - - | 33.94 0.08 | \$ 63,347,218 63,347,218 | Y Y | N N | N N | Notes 3 and 4 Note 3 |

Note 1: The maximum endorsement/guarantee balance for the period, the ending balance, and the drawdown amounts represent quotas, not actual drawdown.

Note 2: Direct/indirect subsidiary.

Note 3: For 100% directly/indirectly owned subsidiaries, the aggregate endorsement/guarantee amount provided shall not exceed the net worth of TWM, and the upper limit for each subsidiary shall be double the investment amount.

Note 4: Including US\$65,000 thousand.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)
SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars)

| Investing Company | Marketable Securities Type and Name | Relationship with the Securities Issuer | Financial Statement Account | September 30, 2020 | | | | Note |
|-------------------|---|---|--|--------------------------------|----------------|---------------------------------|------------|--------|
| | | | | Units/Shares (In Thousands) | Carrying Value | Percentage of Ownership % | Fair Value | |
| TWM | <u>Stock</u> | | | | | | | |
| | Chunghwa Telecom Co., Ltd. | - | Current financial assets at FVTOCI | 2,174 | \$ 232,566 | 0.028 | \$ 232,566 | |
| | Asia Pacific Telecom Co., Ltd. | - | Non-current financial assets at FVTOCI | 97,171 | 923,124 | 2.55 | 923,124 | |
| | Bridge Mobile Pte Ltd. | - | Non-current financial assets at FVTOCI | 800 | 30,799 | 10 | 30,799 | |
| | LINE Bank Taiwan Limited | - | Non-current financial assets at FVTOCI | 50,000 | 463,729 | 5 | 463,729 | |
| | <u>Limited Partnerships</u> | | | | | | | |
| | Grand Academy Investment, L.P. | - | Non-current financial assets at FVTOCI | - | 276,902 | 21.67 | 276,902 | Note 1 |
| | Starview Heights Investment, L.P. | - | Non-current financial assets at FVTOCI | - | 65,433 | 21.67 | 65,433 | Note 1 |
| TCC | <u>Stock</u> | | | | | | | |
| | Arcoa Communication Co., Ltd. | - | Non-current financial assets at FVTOCI | 6,998 | 96,504 | 5.21 | 96,504 | |
| WMT | <u>Limited Partnerships</u> | | | | | | | |
| | The Last Thieves, L.P. | - | Current financial assets at FVTPL | - | - | 7.14 | - | Note 1 |
| TFN | <u>Stock</u> | | | | | | | |
| | THSR | - | Current financial assets at FVTOCI | 43,427 | 1,374,477 | 0.77 | 1,374,477 | |
| TCCI | <u>Stock</u> | | | | | | | |
| | TWM | TWM | Non-current financial assets at FVTOCI | 200,497 | 19,367,987 | 5.71 | 19,367,987 | |
| | Great Taipei Broadband Co., Ltd. | - | Non-current financial assets at FVTOCI | 10,000 | 38,409 | 6.67 | 38,409 | |
| TUI | <u>Stock</u> | | | | | | | |
| | TWM | TWM | Non-current financial assets at FVTOCI | 410,665 | 39,670,267 | 11.69 | 39,670,267 | |
| TID | <u>Stock</u> | | | | | | | |
| | TWM | TWM | Non-current financial assets at FVTOCI | 87,590 | 8,461,151 | 2.49 | 8,461,151 | |
| TFNM | <u>Beneficiary Certificates</u> | | | | | | | |
| | Dragon Tiger Capital Partners Limited - Class B | - | Non-current financial assets at FVTOCI | 0.2 | - | 0.33 | - | |
| | Dragon Tiger Capital Partners Limited - Class C | - | Non-current financial assets at FVTOCI | 0.0335 | - | 0.056 | - | |

(Continued)

| Investing Company | Marketable Securities Type and Name | Relationship with the Securities Issuer | Financial Statement Account | September 30, 2020 | | | | Note |
|-------------------|-------------------------------------|---|--|--------------------------------|----------------|---------------------------------|------------|------|
| | | | | Units/Shares (In Thousands) | Carrying Value | Percentage of Ownership % | Fair Value | |
| momo | <u>Stock</u> | | | | | | | |
| | Media Asia Group Holdings Limited | - | Current financial assets at FVTOCI | 43,668 | \$ 3,609 | 2.04 | \$ 3,609 | |
| | We Can Medicines Co., Ltd. | - | Non-current financial assets at FVTOCI | 2,400 | 53,256 | 7.73 | 53,256 | |

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

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

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

(In Thousands of New Taiwan Dollars)

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counter-party | Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Ending Balance | |
|--------------|--|---|---------------|--------------|-----------------------------|------------------|-----------------------------|--------------|-----------------------------|-----------|-----------------|-------------------------|-----------------------------|-----------------|
| | | | | | Units/Shares (In Thousands) | Amount | Units/Shares (In Thousands) | Amount | Units/Shares (In Thousands) | Amount | Carrying Amount | Gain (Loss) on Disposal | Units/Shares (In Thousands) | Amount (Note 2) |
| TWM | TVC | Investments accounted for using equity method | - | Subsidiary | 500 | \$ 4,907 | 160,000 | \$ 1,600,000 | - | \$ - | \$ - | \$ - | 160,500 | \$ 1,592,943 |
| TVC | AppWorks Fund III | Investments accounted for using equity method | - | Associate | - | - | 33,000 | 330,000 | - | - | - | - | 33,000 | 318,723 |
| TWM | LINE Bank Taiwan Limited | Non-current financial assets at FVTOCI | - | - | - | 100,000 (Note 1) | 50,000 | 400,000 | - | - | - | - | 50,000 | 463,729 |
| TFN | THSR | Current financial assets at FVTOCI | - | - | 90,212 | 3,464,156 | - | - | 46,785 | 1,621,105 | 473,212 | 1,147,893 | 43,427 | 1,374,477 |

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

Note 2: The ending balance includes share of profit/loss of associates accounted for using equity method and the relevant adjustment to financial assets.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

(In Thousands of New Taiwan Dollars)

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

(In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Nature of Relationship | Transaction Details | | | | Transactions with Terms Different from Others | | Notes/Accounts Payable or Receivable | | Note |
|--------------|-------------------------------|--|-----------------------|------------|------------|-------------------------|---|---------------|--------------------------------------|------------|------------------|
| | | | Purchase/Sale | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total | |
| TWM | TFN | Subsidiary | Sale | \$ 171,254 | - | Based on contract terms | - | - | \$ 25,643 | - | Note 3 Note 3 |
| | | | Purchase | 3,216,274 | 12 | Based on contract terms | - | - | (425,491) | (Note 2) | |
| | TPIA TKT momo | Subsidiary Subsidiary Subsidiary | Sale | 111,424 | - | Based on contract terms | - | - | 58,493 | 1 | |
| | | | Purchase | 186,976 | 1 | Based on contract terms | - | - | (73,910) | 5 | |
| | | | Sale | 1,144,942 | 3 | Based on contract terms | - | - | 124,247 | 2 | |
| | | | Purchase | 186,270 | 1 | Based on contract terms | - | - | (15,785) | 1 | |
| TFN | TFNM Fubon Life | Fellow subsidiary Other related party | Sale | 116,251 | 2 | Based on contract terms | - | - | 24,202 | 2 | |
| | | | Sale | 103,208 | 2 | Based on contract terms | - | - | 16,466 | 2 | |
| TT&T | TWM | Ultimate parent | Sale | 757,629 | 90 | Based on contract terms | - | - | 84,275 | 90 | |
| TPIA | Fubon Ins. | Other related party | Sale | 176,369 | 90 | Based on contract terms | - | - | 71,687 | 88 | |
| TFNM | YJCTV PCTV UCTV GCTV | Subsidiary Subsidiary Subsidiary Subsidiary | Channel leasing fee | 317,355 | 13 | Based on contract terms | Note 1 | Note 1 | - | - | |
| | | | Channel leasing fee | 372,293 | 15 | Based on contract terms | Note 1 | Note 1 | - | - | |
| | | | Channel leasing fee | 163,394 | 7 | Based on contract terms | Note 1 | Note 1 | - | - | |
| | | | Channel leasing fee | 141,470 | 6 | Based on contract terms | Note 1 | Note 1 | - | - | |
| MCTV | Dai-Ka Ltd. | Other related party | Royalty for copyright | 118,370 | 52 | Based on contract terms | Note 1 | Note 1 | (65,761) | 92 | |
| momo | TPE | Associate | Purchase | 589,946 | 1 | Based on contract terms | - | - | (86,157) | 1 | |

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

Note 2: Including accounts payable and other payables.

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

TABLE 7

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Nature of Relationship | Ending Balance | | Turnover Rate | Overdue | | Amount Received in Subsequent Period | Allowance for Impairment Loss |
|--------------|---------------|------------------------|---------------------|------------|---------------|---------|--------------|--------------------------------------|-------------------------------|
| | | | | | | Amount | Action Taken | | |
| TWM | momo | Subsidiary | Accounts receivable | \$ 124,247 | 9.84 | \$ - | - | \$ 120,678 | \$ - |
| TCC | TWM | Parent | Other receivables | 346,526 | | - | - | - | - |
| | TFC | Subsidiary | Other receivables | 342,015 | | - | - | 342,015 | - |
| WMT | TWM | Parent | Other receivables | 2,469,755 | | - | - | 8,743 | - |
| | TFNM | Subsidiary | Other receivables | 1,203,144 | | - | - | 131,433 | - |
| | WTVB | Subsidiary | Other receivables | 737,215 | | - | - | 1,755 | - |
| TFN | TWM | Ultimate parent | Accounts receivable | 436,191 | 10.43 | - | - | 378,322 | - |
| | | | Other receivables | 7,391,651 | | - | - | 25,813 | - |
| | TCC | Parent | Other receivables | 341,787 | | - | - | 341,787 | - |
| PCTV | TFNM | Parent | Accounts receivable | 5,577 | 5.83 | - | - | 1,776 | - |
| | | | Other receivables | 521,470 | | - | - | 520,036 | - |
| GCTV | TFNM | Parent | Accounts receivable | 2,404 | 5.81 | - | - | 722 | - |
| | | | Other receivables | 250,693 | | - | - | 250,002 | - |
| momo | TFCB | Other related party | Other receivables | 113,346 | | - | - | 113,346 | - |

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars)

| Investor | Investee | Location | Main Businesses and Products | Investment Amount | | Balance as of September 30, 2020 | | | Net Income (Loss) of the Investee | Investment Income (Loss) | Note |
|----------|-------------------|------------------------|--|--------------------|-------------------|----------------------------------|---------------------------|----------------|-----------------------------------|--------------------------|---------------|
| | | | | September 30, 2020 | December 31, 2019 | Shares (In Thousands) | Percentage of Ownership % | Carrying Value | | | |
| TWM | TCC | Taiwan | Investment | \$ 40,397,288 | \$ 40,397,288 | 502,970 | 100 | \$ 19,487,495 | \$ 2,359,097 | \$ 2,359,474 | Note 1 |
| | WMT | Taiwan | Investment | 16,802,000 | 16,802,000 | 42,065 | 100 | 20,667,196 | 1,846,766 | 1,846,839 | Note 1 |
| | TVC | Taiwan | Investment | 1,605,000 | 5,000 | 160,500 | 100 | 1,592,943 | (5,884) | (5,884) | |
| | TNH | Taiwan | Building and operating Songshan Cultural and Creative Park BOT project | 1,918,655 | 1,918,655 | 191,866 | 49.9 | 1,853,622 | 64,622 | 33,178 | Note 1 |
| | AppWorks | Taiwan | Venture capital, investment consulting, and management consulting | 235,000 | 235,000 | 1,275 | 51 | 256,495 | 65,186 | 32,599 | Note 1 |
| | ADT | Taiwan | Technology development of mobile payment and information processing services | 60,000 | 60,000 | 6,000 | 14.4 | 8,596 | 17,529 | 2,524 | |
| TCC | TFN | Taiwan | Fixed line service provider | 21,000,000 | 21,000,000 | 2,100,000 | 100 | 52,180,665 | 2,184,662 | - | Note 2 |
| | TT&T | Taiwan | Call center service and telephone marketing | 56,210 | 56,210 | 2,484 | 100 | 97,811 | 38,341 | - | Note 2 |
| | TWM Holding | British Virgin Islands | Investment | 347,951 | 347,951 | - | 100 | 225,027 | (2,043) | - | Notes 2 and 3 |
| | TCCI | Taiwan | Investment | 17,285,441 | 17,285,441 | 154,721 | 100 | 26,503,542 | 3,459 | - | Note 2 |
| | TDS | Taiwan | Commissioned maintenance service | 25,000 | 25,000 | 2,500 | 100 | 100,195 | 5,802 | - | Note 2 |
| | TPIA | Taiwan | Property insurance agent | 5,000 | 5,000 | 500 | 100 | 64,997 | 54,997 | - | Note 2 |
| | TFC | Taiwan | Type II telecommunications business | 200,000 | 200,000 | 20,000 | 100 | 193,605 | (3,805) | - | Note 2 |
| WMT | TFNM | Taiwan | Type II telecommunications business | 5,210,443 | 5,210,443 | 230,921 | 100 | 6,461,230 | 1,299,403 | - | Note 2 |
| | GFMT | Taiwan | Investment | 16,984 | 16,984 | 1,500 | 100 | 17,028 | 125 | - | Note 2 |
| | GWMT | Taiwan | Investment | 92,189 | 92,189 | 8,945 | 100 | 97,675 | 2,952 | - | Note 2 |
| | WTVB | Taiwan | TV program provider | 222,417 | 222,417 | 18,177 | 100 | 285,765 | 22,478 | - | Note 2 |
| | momo | Taiwan | Wholesale and retail sales | 8,129,394 | 8,129,394 | 63,047 | 45.01 | 9,389,952 | 1,331,654 | - | Notes 2 and 4 |
| TVC | AppWorks Fund III | Taiwan | Venture capital | 330,000 | - | 33,000 | 20.11 | 318,723 | (73,107) | - | Note 2 |
| TFN | TUI | Taiwan | Investment | 22,314,536 | 22,314,536 | 400 | 100 | 34,476,814 | (123) | - | Note 2 |
| TCCI | TID | Taiwan | Investment | 3,602,782 | 3,602,782 | 104,712 | 100 | 7,358,734 | (83) | - | Note 2 |
| TFNM | TKT | Taiwan | Digital music service | 156,900 | 156,900 | 14,700 | 100 | 252,546 | 7,224 | - | Note 2 |
| | YJCTV | Taiwan | Cable TV service provider | 2,061,522 | 2,061,522 | 33,940 | 100 | 1,713,338 | (56,768) | - | Note 2 |
| | MCTV | Taiwan | Cable TV service provider | 510,724 | 510,724 | 6,248 | 29.53 | 629,279 | 37,432 | - | Notes 2 and 5 |
| | PCTV | Taiwan | Cable TV service provider | 3,261,073 | 3,261,073 | 68,090 | 100 | 3,432,032 | 129,083 | - | Note 2 |
| | UCTV | Taiwan | Cable TV service provider | 1,986,250 | 1,986,250 | 169,141 | 99.22 | 2,025,554 | 31,887 | - | Note 2 |
| | GCTV | Taiwan | Cable TV service provider | 1,221,002 | 1,221,002 | 51,733 | 92.38 | 1,274,230 | 45,393 | - | Note 2 |
| | kbro Media | Taiwan | Film distribution, arts and literature service, and entertainment | 292,500 | 292,500 | 29,250 | 32.5 | 121,375 | (55,726) | - | Note 2 |
| TKT | M.E. | Taiwan | Livestreaming artists management service, digital media production, and media planning | 27,000 | 27,000 | 460 | 15 | 25,631 | 4,024 | - | Note 2 |

(Continued)

| Investor | Investee | Location | Main Businesses and Products | Investment Amount | | Balance as of September 30, 2020 | | | Net Income (Loss) of the Investee | Investment Income (Loss) | Note |
|--------------------|---------------------|------------------------|------------------------------|--------------------|-------------------|----------------------------------|---------------------------|----------------|-----------------------------------|--------------------------|---------------|
| | | | | September 30, 2020 | December 31, 2019 | Shares (In Thousands) | Percentage of Ownership % | Carrying Value | | | |
| GFMT | UCTV | Taiwan | Cable TV service provider | \$ 16,218 | \$ 16,218 | 1,300 | 0.76 | \$ 15,572 | \$ 31,887 | \$ - | Note 2 |
| GWMT | GCTV | Taiwan | Cable TV service provider | 91,910 | 91,910 | 3,825 | 6.83 | 96,198 | 45,393 | - | Note 2 |
| momo | Asian Crown (BVI) | British Virgin Islands | Investment | 885,285 | 885,285 | 9,735 | 81.99 | 34,196 | (7,689) | - | Note 2 |
| | Honest Development | Samoa | Investment | 670,448 | 670,448 | 21,778 | 100 | 647,431 | 26,256 | - | Note 2 |
| | FLI | Taiwan | Life insurance agent | 3,000 | 3,000 | 500 | 100 | 7,644 | (1,147) | - | Note 2 |
| | FPI | Taiwan | Property insurance agent | 3,000 | 3,000 | 500 | 100 | 8,344 | (912) | - | Note 2 |
| | FST | Taiwan | Travel agent | 6,000 | 6,000 | 3,000 | 100 | 44,986 | 4,819 | - | Note 2 |
| | Bebe Poshe | Taiwan | Wholesale of cosmetics | 85,000 | 85,000 | 8,500 | 85 | 58,134 | (5,715) | - | Note 2 |
| | FSL | Taiwan | Logistics and transport | 250,000 | - | 25,000 | 100 | 249,618 | (382) | - | Note 2 |
| | MFS | Taiwan | Wholesaling | 100,000 | - | 10,000 | 100 | 100,346 | 346 | - | Note 2 |
| | TPE | Taiwan | Logistics industry | 295,860 | 337,860 | 14,793 | 15.5 | 387,984 | 156,868 | - | Note 2 |
| | TV Direct | Thailand | Wholesale and retail sales | 154,268 | - | 153,031 | 20 | 152,376 | 39,198 | - | Note 2 |
| | TVD Shopping | Thailand | Wholesale and retail sales | Note 6 | 111,597 | Note 6 | Note 6 | Note 6 | Note 6 | - | Notes 2 and 6 |
| Asian Crown (BVI) | Fortune Kingdom | Samoa | Investment | 1,132,789 | 1,132,789 | 11,594 | 100 | 37,383 | (7,598) | - | Note 2 |
| Fortune Kingdom | HK Fubon Multimedia | Hong Kong | Investment | 1,132,789 | 1,132,789 | 11,594 | 100 | 37,383 | (7,598) | - | Note 2 |
| Honest Development | HK Yue Numerous | Hong Kong | Investment | 670,448 | 670,448 | 16,600 | 100 | 647,431 | 26,256 | - | Note 2 |

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

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

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

Note 4: Non-controlling interests.

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

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

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

(Concluded)

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

(In Thousands of New Taiwan Dollars)

| Number | Company Name | Counter-party | Nature of Relationship (Note 1) | Transaction Details | | | Percentage of Consolidated Total Operating Revenues or Total Assets |
|--------|--------------|---------------|---------------------------------|------------------------------------|-----------|--|---|
| | | | | Account | Amount | Transaction Terms | |
| 0 | TWM | TFN | 1 | Notes and accounts receivable, net | \$ 26,208 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TPIA | 1 | Notes and accounts receivable, net | 58,493 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | momo | 1 | Notes and accounts receivable, net | 124,247 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TFN | 1 | Other receivables | 36,333 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TNH | 1 | Other non-current assets | 18,211 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TFN | 1 | Short-term borrowings | 7,323,000 | The terms of transaction are determined in accordance with mutual agreements or general business practices | 4% |
| | | WMT | 1 | Short-term borrowings | 2,461,000 | The terms of transaction are determined in accordance with mutual agreements or general business practices | 1% |
| | | TCC | 1 | Short-term borrowings | 346,000 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TFN | 1 | Notes and accounts payable | 67,714 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TKT | 1 | Notes and accounts payable | 73,910 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | momo | 1 | Notes and accounts payable | 15,785 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TFNM | 1 | Notes and accounts payable | 11,670 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TFN | 1 | Other payables | 405,462 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TT&T | 1 | Other payables | 84,275 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TDS | 1 | Other payables | 18,052 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TFN | 1 | Lease liabilities - current | 21,876 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TNH | 1 | Lease liabilities - current | 104,907 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TFN | 1 | Other current liabilities | 26,188 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | momo | 1 | Other current liabilities | 19,999 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |

(Continued)

| Number | Company Name | Counter-party | Nature of Relationship (Note 1) | Transaction Details | | | Percentage of Consolidated Total Operating Revenues or Total Assets |
|--------|--------------|---------------|---------------------------------|--|-----------|--|---|
| | | | | Account | Amount | Transaction Terms | |
| 0 | TWM | TFN | 1 | Lease liabilities - non-current | \$ 30,740 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TNH | 1 | Lease liabilities - non-current | 281,814 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | YJCTV | 1 | Lease liabilities - non-current | 29,433 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | GCTV | 1 | Lease liabilities - non-current | 15,789 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TFN | 1 | Operating revenues | 171,254 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TFNM | 1 | Operating revenues | 19,550 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TPIA | 1 | Operating revenues | 111,424 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | momo | 1 | Operating revenues | 1,144,942 | The terms of transaction are determined in accordance with mutual agreements or general business practices | 1% |
| | | TFN | 1 | Operating costs | 3,216,274 | The terms of transaction are determined in accordance with mutual agreements or general business practices | 3% |
| | | TKT | 1 | Operating costs | 186,976 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TDS | 1 | Operating costs | 50,027 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | momo | 1 | Operating costs | 186,270 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TFNM | 1 | Operating costs | 30,420 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TFN | 1 | Operating expenses | 23,042 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TT&T | 1 | Operating expenses | 757,629 | The terms of transaction are determined in accordance with mutual agreements or general business practices | 1% |
| | | TFN | 1 | Other income and expenses, net | 31,945 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| TFN | 1 | Finance costs | 57,561 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - | | |
| WMT | 1 | Finance costs | 21,195 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - | | |
| 1 | TCC | TFC | 1 | Other receivables | 342,015 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TFN | 1 | Short-term borrowings | 341,000 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| 2 | WMT | TFNM | 1 | Other receivables | 1,203,144 | The terms of transaction are determined in accordance with mutual agreements or general business practices | 1% |
| | | WTVB | 1 | Other receivables | 737,215 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |

(Continued)

| Number | Company Name | Counter-party | Nature of Relationship (Note 1) | Transaction Details | | | Percentage of Consolidated Total Operating Revenues or Total Assets |
|--------|--------------|---------------|---------------------------------|------------------------------------|-----------|--|---|
| | | | | Account | Amount | Transaction Terms | |
| 3 | TFN | TFC | 3 | Notes and accounts receivable, net | \$ 16,018 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TFNM | 3 | Notes and accounts receivable, net | 24,202 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TFC | 3 | Operating revenues | 69,761 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TFNM | 3 | Operating revenues | 116,251 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | momo | 3 | Operating revenues | 37,206 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TT&T | 3 | Operating expenses | 82,017 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| 4 | momo | FSL | 1 | Notes and accounts payable | 36,380 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | FGE | 1 | Operating revenues | 19,919 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | Bebe Poshe | 1 | Operating costs | 31,385 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | FSL | 1 | Operating costs | 83,172 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | TFNM | 3 | Operating costs | 36,950 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| 5 | TFNM | PCTV | 1 | Other receivables | 56,570 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | YJCTV | 1 | Other receivables | 36,743 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | UCTV | 1 | Other receivables | 28,551 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | GCTV | 1 | Other receivables | 20,232 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | MCTV | 1 | Other receivables | 17,155 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | PCTV | 1 | Short-term borrowings | 520,000 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | YJCTV | 1 | Short-term borrowings | 50,000 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | GCTV | 1 | Short-term borrowings | 250,000 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | WTVB | 3 | Notes and accounts payable | 64,003 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |

(Continued)

| Number | Company Name | Counter-party | Nature of Relationship (Note 1) | Transaction Details | | | Percentage of Consolidated Total Operating Revenues or Total Assets |
|--------|--------------|---------------|---------------------------------|---------------------|------------|--|---|
| | | | | Account | Amount | Transaction Terms | |
| 5 | TFNM | PCTV | 1 | Operating revenues | \$ 403,673 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | YJCTV | 1 | Operating revenues | 345,537 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | UCTV | 1 | Operating revenues | 163,394 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | GCTV | 1 | Operating revenues | 154,044 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | MCTV | 1 | Operating revenues | 13,584 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | PCTV | 1 | Operating costs | 26,408 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | YJCTV | 1 | Operating costs | 23,760 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | UCTV | 1 | Operating costs | 17,215 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | GCTV | 1 | Operating costs | 11,067 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |
| | | WTVB | 3 | Operating costs | 64,003 | The terms of transaction are determined in accordance with mutual agreements or general business practices | - |

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

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

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars and Foreign Currencies)

| Investee Company Name | Main Businesses and Products | Total Amount of Paid-in Capital | Investment Type (Note 1) | Accumulated Outflow of Investment from Taiwan as of January 1, 2020 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of September 30, 2020 | Net Income (Loss) of Investee | % Ownership through Direct or Indirect Investment | Investment Income (Loss) | Carrying Value as of September 30, 2020 | Accumulated Inward Remittance of Earnings as of September 30, 2020 | Note |
|-----------------------|---|---------------------------------|--------------------------|---|------------------|--------|--|-------------------------------|---|--------------------------|---|--|------|
| | | | | | Outflow | Inflow | | | | | | | |
| TWMC | Mobile application development and design | \$ 87,360 (USD 3,000) | b | \$ 141,870 (USD 4,872) | \$ - | \$ - | \$ 141,870 (USD 4,872) | \$ 1,024 | 100 | \$ 1,024 | \$ 77,739 | - | |
| FGE | Wholesaling | 330,613 (RMB 77,500) | b | 788,491 (USD 14,000) (RMB 89,267) | - | - | 788,491 (USD 14,000) (RMB 89,267) | (7,826) | 76.7 | (6,003) | 23,997 | - | |
| Haobo | Investment | 46,926 (RMB 11,000) | b | - | - | - | - | 26,233 | 100 | 26,233 | 620,253 | - | |
| GHS | Wholesaling | 213,299 (RMB 50,000) | b | - | - | - | - | 156,407 | 20 | 26,129 | 577,080 | - | |

| Company | Accumulated Investment in Mainland China as of September 30, 2020 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2) |
|----------------------|---|--|--|
| TWM and subsidiaries | \$1,563,562 (US\$18,872, RMB89,267 and HK\$168,539) | \$1,563,562 (US\$18,872, RMB89,267 and HK\$168,539) | \$41,771,621 |

Note 1: The investment types are as follows:

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

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

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

| Name of Major Stockholder | Shares | |
|------------------------------------|------------------|-----------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| TUI | 410,665,284 | 11.69 |
| Shin Kong Life Insurance Co., Ltd. | 319,492,000 | 9.10 |
| Cathay Life Insurance Co., Ltd. | 212,284,900 | 6.04 |
| TCCI | 200,496,761 | 5.71 |
| Ming Dong | 184,736,452 | 5.26 |

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