Chapter 4 Operational Highlights

Macro Environment

Consumer spending on communication and broadcasting related services is largely influenced by the macroeconomic environment. According to the Directorate-General of Budget, Accounting and Statistics (DGBAS), private consumption growth increased mildly to 1.77% in 2013 from 1.62% a year ago, on the back of a stable global economy and stock market recovery. Buoyed by rising corporate recruitment and wages, consumer confidence is expected to further improve this year. Rising imports of mid-priced cars and budget airlines' expansion are also expected to stimulate consumption, helping private consumption grow by 2.44% in 2014.

Overall Operating Results

The Company's consolidated revenue expanded 9% YoY in 2013, bolstered by a 30% increase in mobile value-added service (VAS) revenue, continuous mobile revenue growth from enterprise customers, an 8% gain in cable internet revenue, and an over 40% jump in momo's (TWM's 51%-owned subsidiary) online shopping revenue. In terms of profitability, despite higher expenses to expand the Company's mobile data capacity, smartphone adoption rate and distribution network, EBITDA still edged up 1% YoY in 2013. In addition, operating income slightly exceeded the Company's guidance at 102%.

Performance by division

Unit: NT$mn

	Consumer Business Group	Home Business Group	Enterprise Business Group	Fubon Media Technology
Brand name	Taiwan Mobile	TWM Broadband	TWM Business Solution	momo
Services	• Voice and data mobile services for consumers • Mobile to international direct dialing (IDD) services	• Pay TV services • Cable broadband services • Others	• Voice and data mobile services for enterprises • Fixed-line services • International simple resale (ISR) services	• Online shopping • TV home shopping • Mail order
2013 revenue*	71,199	6,244	10,734	21,278
As a % of group revenue	65%	6%	10%	19%
2013 EBITDA*	22,945	3,278	3,748	833
As a % of group EBITDA	75%	11%	12%	2%

	Mobile business	Cable business	Fixed-line business	Retail business
Market position	Second-largest mobile operator in a five-player market, with a market share of around 29% in terms of mobile service revenue	Fourth-largest multisystem operator (MSO), covering about 11% of the households in Taiwan	A market share of around 2% for ADSL/FTTx business. Second-largest internet service provider (ISP), with a market share of 6% (including 180K cable broadband subscribers from the cable business)	Ranked among the top three in both online shopping and TV home shopping
Subscriber base	● 7,225K mobile subscribers	● 584K CATV subscribers ● 180K cable broadband subscribers	● Around 80K ADSL/FTTx internet access users	Not applicable

* Source: 2013 financial reports. The difference between the sum of each division and consolidated number was due to inter-division adjustments and eliminations.

Operating Results Review

Consumer Business Group

Benefiting from a continuous increase in mobile data subscriptions bundled with smartphones, the Company's mobile internet adoption rate among postpaid subscribers rose to 54% from 42% a year ago, boosting its VAS revenue as a percentage of mobile service revenue to 39%. As a result, mobile service revenue grew 6% YoY. This, together with handset sales, lifted CBG's total revenue by 8% from a year ago.

Home Business Group

HBG's 2013 revenue rose 2% from a year ago due to revenue growth from its digital TV and cable broadband businesses. Growth is attributed to an expanding digital TV penetration rate and higher adoption rate for high-speed cable broadband services.

Enterprise Business Group

EBG's 2013 revenue grew 3% YoY, largely due to an expanding client base, which boosted its enterprise mobile revenue by 13% YoY. EBITDA rose 9% from a year ago due to rising revenue and strict cost/expense control.

Fubon Media Technology

momo's main growth driver came from the continuous expansion of its online shopping business. Revenue from online shopping grew 43% YoY in 2013, while EBITDA increased close to 30%.

Scope of Business
Business overview

Consumer Business Group

1. Products and services

The Consumer Business Group (CBG) is mainly engaged in providing mobile communication services to individual users. The Company offers a wide range of products, including SIM cards for postpaid subscribers, as well as SIM and reloadable cards for prepaid subscribers that can be used for making/receiving calls and other services, such as short messaging service (SMS), data, multimedia and other value-added services.

Target customers	Service category	Description	Highlights
Individual consumers	Mobile	Voice	Basic telecommunication voice services, including calling and receiving calls from fixed-line and mobile phones
		Data	Value-added services, including voice mail, call forwarding, call waiting, conferencing, SMS, roaming, call barring, video calls, multimedia and content (e.g. mobile TV, music, games, finance information, online bookstore, messaging apps, video clips, video streaming), and internet access using GPRS/3G/HSDPA transmission
	IDD	International direct dialing services	

2. Revenue breakdown by service

Unit: NT$mn

Item \ Year	2013	
	Revenue	% of total
Telecom service	49,200	69%
Handset sales and others	21,999	31%
Total	71,199	100%

3. New products and services

(1) Voice services: Continue to roll out innovative rate plans to better meet customers' different calling patterns and personal demands.

(2) Value-added services: Focus on mainstream smart devices; develop a diverse range of services and digital content to better meet customers' various mobile needs.

4. Operating status

(1) Postpaid products and services

To offset the impact of the voluntary tariff cuts imposed by the National Communications Commission (NCC) on voice revenue, the Company focused on improving the percentage of mid-to-high rate plan subscribers and sales of smart devices to raise its average revenue per user (ARPU). By the end of 2013, mid-to-high rate plan users as a percentage of total subscribers had increased by 4 ppts.

The Company also has excellent loyalty programs in place to secure its customer base and minimize churn rates. With the aid of business intelligence tools and its direct marketing network, the Company uses market segmentation to target and provide customers with services that better match their needs. For instance, the Company provides discounts on handsets or phone bills as incentives for clients renewing their contracts. For high ARPU customers, the Company has an exclusive program called "myVIP". The Company also offers a credit card program that allows customers to earn rebates based on their phone bills.

(2) Prepaid products and services

The Company launched a prepaid card that can be used for voice and mobile internet (1GB data) for only NT$180 in 2013. This helped boost the Company's prepaid subscriber numbers by 12% in 2013.

The Company also aggressively promoted VAS usage and adoption rate. Various mobile internet data packs and daily charge mobile data products were sold through different channels. The Company was the first Taiwanese telecom carrier to offer international voice roaming service for prepaid card users. All these efforts contributed to the 89% growth in non-SMS VAS revenue for the Company's prepaid business in 2013.

(3) Value-added services

The Company saw a significant increase in VAS revenue in 2013, surging 30% from a year ago. In particular, revenue from mobile internet access rose 39%, thanks to high-quality mobile internet services and flexible data rate plans, as well as a growth in the popularity of smartphones, tablets, 3.5G data cards and netbooks. These helped attract a large number of mobile internet users and also encouraged existing subscribers to use value-added services.

Home Business Group

1. Products and services

TFN Media (TFNM), a subsidiary of the Company, holds a cable television system operator's license and a Type II telecommunication license. Its main products and services cover analog cable TV service, high-definition digital cable TV service, high-speed cable broadband service, HomePlay (a multi-screen sharing service), Super MOD (multimedia on demand) service, internet TV and Connect TV. Combining the group's resources – from mobile and fixed-line to innovative cloud technology – HBG provides digital convergence services across "four screens and a cloud" to home users. Its subsidiary, TV production company Win TV Broadcasting, operates the "momo family channel" and owns distribution rights to a large number of outstanding domestic and foreign TV content, enabling it to provide subscribers with a wide range of digital audiovisual entertainment services.

Service category	Products / Services	Description
Pay TV	Analog cable TV	Uses high bandwidth coaxial cable to transmit a wide range of TV channels and programs to home TVs.
	Digital cable TV	TWM Broadband's CATV networks transmit domestic and international digital TV channels to subscribers' homes; subscribers can use the set-top box provided by TWM Broadband to view high-definition digital video content.
Broadband internet access	Cable fiber-optic broadband internet access	Provides high-speed internet access service via a hybrid fiber/coaxial (HFC) network deployed by the CATV system operator in combination with new-generation DOCSIS 3.0 broadband internet access technology.
Content distribution	Analog and digital TV channels	Distributes high-quality domestic and foreign TV content on both analog and digital TV services by licensing the broadcasting rights of these channels to other CATV system operators and video service platforms.
Digital home service	Super MOD service	The first in Taiwan to provide high-definition on-demand video, audio and interactive applications/content by combining video on demand, internet TV and digital TV onto a single platform. Subscribers can access Super MOD content on their TVs, computers, smartphones and tablets anytime, anywhere.
	HomePlay service	A multi-screen sharing service that enables subscribers to share and watch TV programs, HD video on demand and internet video content via multiple screens such as TVs, tablets and smartphones. Subscribers can access any content through any device via HomePlay's user-friendly application at home.

2. Revenue breakdown by service

Unit: NT$mn

Item \ Year	2013	
	Revenue	**% of total**
Pay TV service	4,308	69%
Cable broadband service	1,161	19%
TV content distribution and others	775	12%
Total	6,244	100%

3. New products and services

(1) High-definition digital TV channels and programs:

With the government pushing for 100% digital cable TV penetration rate by 2016, TWM Broadband has positioned itself to maximize the opportunity by expanding the economic scale of HDTV and digitizing audio-visual home entertainment.

(2) High-speed fiber-optic internet access service:

Consumer demand for high-speed Internet access has soared with the fast-growing popularity of online videos and social media. TWM Broadband was ahead of the trend in upgrading its fiber-optic network, enabling it to provide 100M and 120M high-speed broadband access services in 2012 and 2013, respectively.

(3) Digital home service:

In 2012, TWM Broadband launched the first platform integrating internet TV, video on demand and connected TV called Super MOD. The platform enables subscribers to watch high-definition video on demand and use interactive digital applications across multiple devices, from televisions and smartphones to tablets and computers, offering the convenience of "four screens and a cloud" digital home service. In 2013, TWM Broadband again led the industry in introducing a multi-screen sharing service called "HomePlay," ushering in the digital home 2.0 era by giving users a true "TV Everywhere" experience.

Enterprise Business Group

1. Products and services

The Enterprise Business Group (EBG) offers enterprise customers integrated mobile/fixed and cloud services.

Service category	Description
Fixed-line voice	EBG provides integrated voice solutions, including Enterprise E phone, local calls, long-distance calls, international calls, Centrex, 080 domestic toll-free service, audio conference, intelligent network services (e.g., 0209 services) and ISR, enabling users to save on calling costs. TWM Solution continues to develop advanced technologies to enhance reliability and provide instant response to ensure customer satisfaction.
Fixed-line data	EBG offers different types of circuits for information transmission, including leased line, Metro Ethernet, IP virtual private network (VPN), international private leased circuit (IPLC) and ADSL VPN. These circuits and bandwidth for data transmission among terminals enable users to build a communication network and expand their business opportunities.
Internet	EBG offers internet access via leased line, Metro Ethernet, ADSL, FTTx and dial-up.
Mobile	EBG offers regular voice services, mobile VPN, intelligent transportation system (ITS), BlackBerry enterprise solution, mobile audio conference and MVPN data service.
Systems integration and cloud service	EBG provides internet data center (IDC) services, including co-location, web hosting, super mail and domain name registration. EBG's IDC services not only cover carrier-level facilities, but also management/maintenance services for customers. In addition, EBG provides video conference services, information security services (Security Operation Center), network management, and infrastructure as a service (IaaS).

2. Revenue breakdown by service

Unit: NT$mn

Year / Item	2013	
	Revenue	% of total
Mobile service	4,700	43%
Fixed-line service	3,478	32%
ISR and others	2,556	24%
Total	10,734	100%

3. New products and services

(1) Remote desktop service: A productivity-enhancing service that allows business travelers to use their mobile devices to access their office files and applications anywhere.

(2) Cloud storage service: A cost-effective solution for enterprise customers to build a disaster recovery site and off-site backup in order to enhance data security, protection and compliance.

(3) Enterprise mobility applications service: The proliferation and popularity of smart devices have made "Bring Your Own Device" (BYOD) a common corporate policy. TWM has responded to this trend by providing customers a variety of productivity and efficiency-enhancing applications. With the launch of the Company's high-speed 4G service this year, clients can look forward to even faster and easier mobile data transmission services.

Fubon Multimedia Technology (momo)

1. Products and services

Momo offers TV home shopping, online shopping, mail order service, travel services, and property and life insurance sales.

2. Revenue breakdown by service

Unit: NT$mn

Year Item	2013	
	Revenue	**% of total**
Online shopping	11,522	54%
TV home shopping and mail order service	8,713	41%
Brick-and-mortar channels* and others	1,043	5%
Total	21,278	100%

* momo sold its cosmetic chain store operation in March 2014.

3. New products and services

(1) Develop new product categories: As online shopping takes off, offering product variety is critical to maintaining view rates and targeting the right customers. Momo has successfully explored and developed new product categories, including food, men's wear and artworks, to sustain buyers' interest.

(2) Introduce new brands: Backed by its rich marketing resources and a stable supply chain, momo has launched new quality brands, such as Laneige, Brand's, Dyson and Philips. Momo aims to continue this strategy of introducing famous local and foreign brands.

(3) Expand business platforms: With CATV penetration nearly saturated and traditional TV viewership falling while digital TV and mobile devices rise in popularity, TV home shopping is adapting to changes in consumer lifestyle and trends by expanding into other broadcasting platforms, such as Super MOD (a high-definition digital content and TV application platform launched by TWM), shopping via remote control, interactive digital shopping and mobile apps.

Industry overview

Consumer Business Group

1. Industry status and development

The three leading players continued to dominate Taiwan's mobile telecommunication market, and smaller players' share of mobile service revenue declined in 2013. However, the National Communications Commission's request that the three leading players offer voluntary mobile tariff reductions could weigh on their revenue going forward.

2. Industry value chain
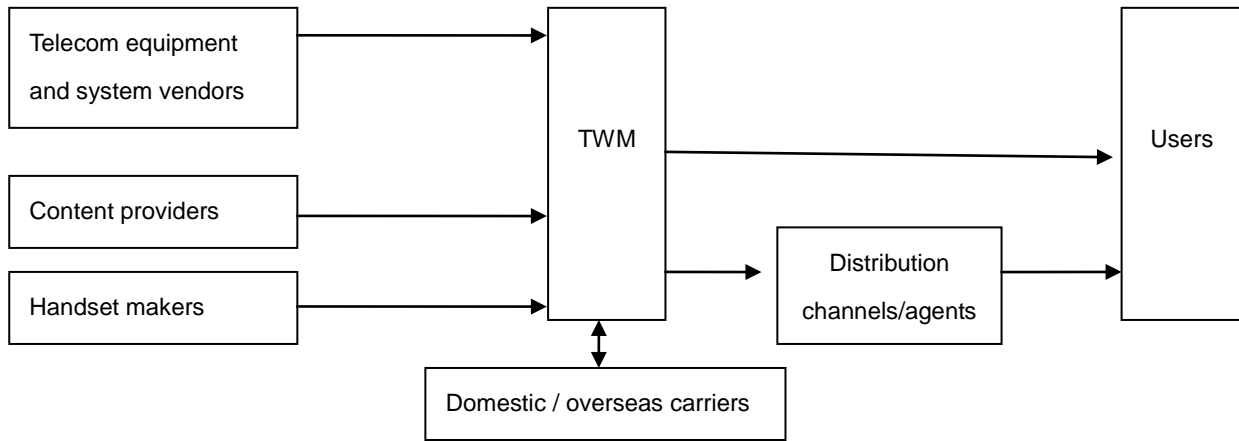
## 3. Product development trends and competitive landscape

The operators are seeking to further expand the mobile broadband market in the 4G era. A variety of new rate plans for data services, combined with new terminal devices and new VAS, have been introduced to stimulate subscriber take-up. This should be an important future revenue growth driver. As for the prepaid segment, pricing competition is intensifying.

Home Business Group

1. Industry status and development

Cable TV has become a must-have video platform, but it faces challenges from alternative services such as IPTV, digital terrestrial TV and other emerging media that have successively entered the market. The cable TV industry must digitalize aggressively and continue to provide innovative digital TV value-added services to attract traditional cable TV subscribers to switch to digital TV.

2. Industry value chain
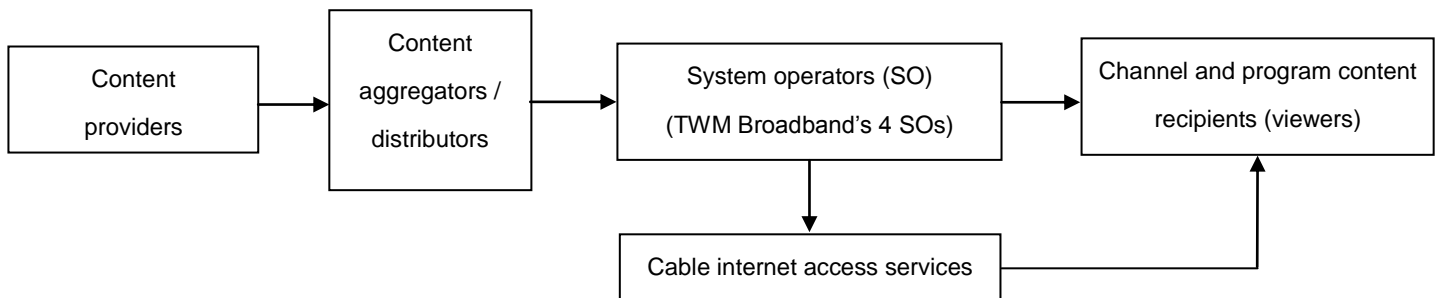
TWM Broadband has the advantage of controlling "last mile" access to customers. TWM Broadband aims to take the lead in vertical integration to build up its core competitiveness and explore new business opportunities in the age of digitalization.

3. Product development trends and competitive landscape

Despite a saturated market which is dominated by Chunghwa Telecom, HBG managed to grow its subscriber number

in the cable internet business by bundling cable broadband products with HD DTV services offered in its cable TV service areas, taking examples from global leading operators such as PCCW in HK as well as AT&T and Comcast in U.S. To fend off competition, TWM Broadband will provide high-speed broadband internet access service, increase the number of high definition programs and develop more innovative digital value-added services to let subscribers enjoy a whole new experience in home entertainment.

Enterprise Business Group

1.   Industry status and development

According to NCC statistics, there were 79 Type I telecommunication providers, including four fixed-line operators, five mobile operators and other circuit leasing operators; and 448 Type II telecommunication providers, including international simple resale (ISR), internet service providers (ISP), VoIP and other value-added service providers. All these have resulted in keen competition. And, as the trend toward digital convergence expands, the boundaries between telephone, cable TV, wireless and PC are getting increasingly blurry, intensifying cross-industry competition.

2.   Industry value chain
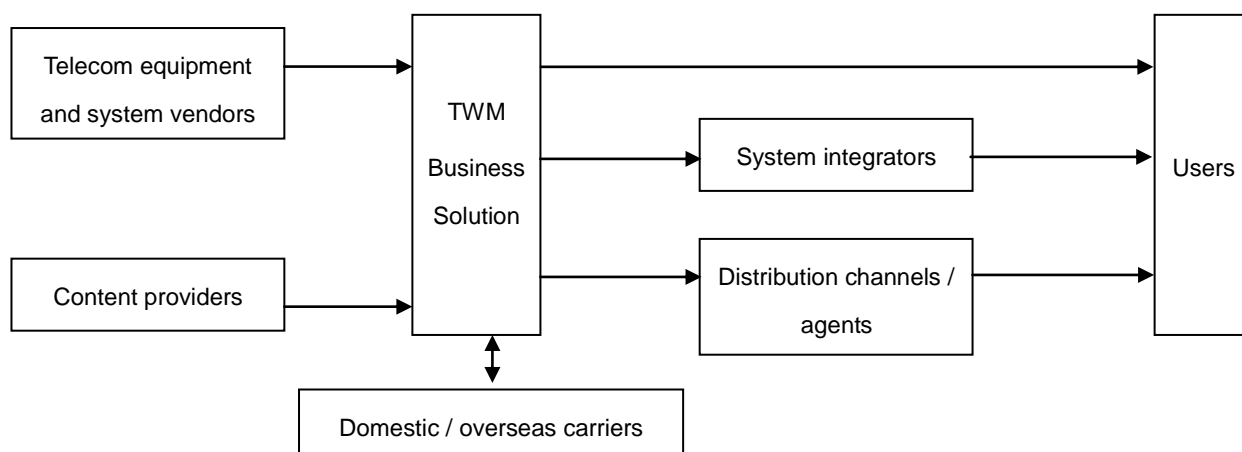
3.   Product development trends and competitive landscape

NCC statistics show that Chunghwa Telecom (CHT) has a virtual monopoly of the telecom market, accounting for 91.32% of local network service revenue, 76.63% of long-distance network service revenue and 49.91% of international network service revenue. FTTx is the most popular type of broadband internet access in Taiwan, with an increasing number of users choosing higher-speed services. Since CHT has the "last mile" advantage, other ISPs find it hard to effectively compete with the firm, except for cable broadband operators.

Along with the rising popularity of smart devices and as network infrastructure matures, the government is planning to invest in the transformation of the information/telecommunication industry into a cloud computing industry. Carriers planning to continue promoting enterprise customer applications will contribute to the building of this cloud center and providing various cloud application services. Hence, cloud, m-commerce and integrated mobile data services will be the main revenue growth drivers in the future.

Fubon Multimedia Technology

1. Industry status and development

The proliferation of cable TV, digital TV and smart devices has given rise to a new breed of home shoppers. Consumers can order a product by telephone or through virtual shopping platforms, choose from a host of convenient payment systems and receive the product in a short period.

2. Industry value chain

Suppliers	momo	Members /
Daily necessities, beauty and personal care, travel, and other products and services	TV home shopping platform Online shopping platform Mail order shopping platform	General consumers
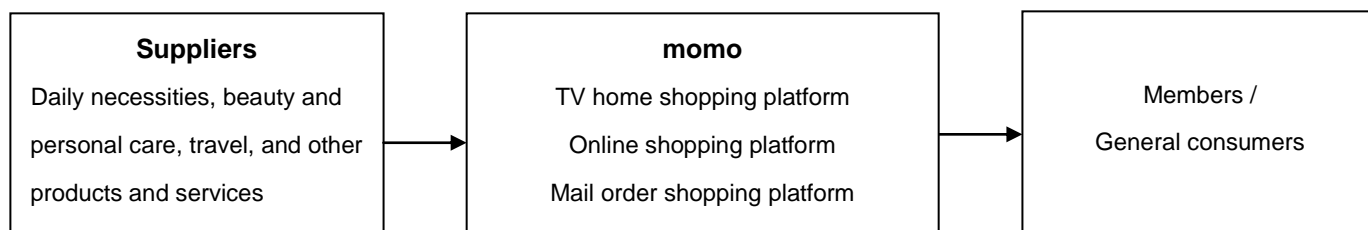
momo sources its products from suppliers of daily necessities, beauty and personal care, travel services, and other products and services, and sell them through its TV home shopping networks, online shopping sites and mail-order catalogues for members and general consumers.

3. Product development trends and competitive landscape

(1) TV home shopping: The rise of virtual shopping platforms has helped e-commerce and mobile commerce gain a foothold in Taiwan's TV home shopping market. And as digital TVs become more popular, TV home shopping programs are finding greater opportunities to reach out to consumers. Aside from momo, leading players in the field are Easter Home Shopping (EHS), U-Life and ViVa. Momo aims to provide better broadcasting programs that cater to consumers' needs in a timely manner.

(2) Online shopping: Although momo entered the market later than its peers Yahoo! Taiwan and PChome Online, it has made major strides as a comprehensive business-to-consumer (B2C) e-commerce player, growing rapidly by leveraging its know-how in TV home shopping.

(3) Mail order: The mail order business attracts different types of players, from TV home shopping operators (e.g., momo, EHS, U-Life and ViVa) to multi-level marketing players (e.g., Amway, Avon, Herbalife and Nu Skin), and Japanese mail order companies (e.g. DHC and Orbis). Momo's main rivals are multi-level marketing players and Japanese mail order companies.

Research and development expenditure

Investment in research and development and its ratio as a percentage of total revenue are shown in the table below. For 2014, the Company plans to spend NT$959mn on the research and development of more advanced technologies to increase customer satisfaction, which in turn should boost value-added service revenue and overall operations growth.

Year	2012	2013	2014 (As of February 28)
R&D expense (NT$'000)	551,589	598,864	132,822
As a % of total revenue	0.55%	0.55%	0.70%

Major research and development achievements

Project name	Description
LTE new technology research	• 4G broadband service spectrum evaluation • Frequency planning and resource management mechanisms for LTE-Advanced (LTE-A) system deployment • 3D-MIMO (multi-input multi-output) for LTE-A • Design of an integrated group mobility mechanism for LTE-A networks
Daily scale charges for data roaming service	Flexible billing system to provide customers with better and more convenient mobile data roaming service
Enterprise sales incentive/sales performance evaluation (SI/SPE) system	Sales incentive and performance evaluation system for enterprise business to boost sales efficiency
Gift certificate management system	Designed to support distribution and consumption of gift certificates to encourage clients to use the myfone shopping website
Integrated payment service	Integrated payment platform provides multiple payment options for customers across physical and virtual channels
Expanded mobile phone billing system	Extended mobile phone bill's coverage to include payment for e-commerce and m-commerce transactions to stimulate sales and reduce credit card service charges
NFC PayPass	A new mobile payment service integrating the functions of a credit card and public transit fare card for users of NFC-enabled smartphones
M+ messaging app	Free VoIP service launched to enrich customers' communication experience; enterprise accounts also set up in cooperation with EasyCard Corp and Fubon Securities Co., Ltd.
TAMedia mobile advertisement platform	Expanded platform to support rich media (expandable and interstitial) and video ad content
myVideo	Streaming service offers MLB/NBA gaming content and news updates for smartphone, tablet and PC users
Cloud IDC	Received Tier III certification from Uptime Institute for its internet data center facility. The center will be used to provide stable and uninterrupted IaaS for enterprise customers in the financial, telecom, e-commerce and other industries.

Sales development plans

Consumer Business Group

1.　Short-term plan

(1) Introduce 4G LTE service to continue supplying faster and more convenient mobile internet service for customers.

(2) Develop standard service flow from customers' point of view to give them the best service experience.

(3) Develop a wide variety of voice/data and VAS rate plans and campaigns to target different customer segments and strengthen customer relations as well as acquire new subscribers by enhancing management of local

channels.

(4) Offer a greater variety of mobile phones, accessories and other 3C products, and build a one-stop shop that meets all TWM customers' digital needs.

2. Long-term plan

The Company aims to provide subscribers with a variety of digital convergence services through 4G's faster transmission speed. The focus will be on the following:

(1) Establishing a "quadruple-play" platform that integrates mobile communication, fixed-line, broadband internet access and cable TV services to give the Company a lead over its competitors in offering digital convergence services in Taiwan.

(2) Leveraging machine-to-machine (M2M) technology into TWM products and services to integrate mobile handsets, high-quality mobile networks and cloud computing technology so as to expand its service range and support the development of innovative, profitable business models.

(3) Increasing the number of company stores and providing extensive training to franchise shops to enhance service quality and availability, as well as providing a wider variety of services and customer experience to attract users and fulfill their mobile needs.

Home Business Group

1. Short-term plan

(1) TWM Broadband will continue to optimize its network infrastructure in those regions where it is already operating cable TV systems, and provide high-definition digital content and VOD to set the foundation for its digital services.

(2) TWM Broadband has commercially launched its 100Mbps+ super high-speed internet access service bundled with high-definition digital TV to boost its cable broadband and digital TV service penetration rates in hopes of raising its subscriber mix of high-speed broadband service users and DTV customer numbers.

2. Long-term plan

In line with the Executive Yuan's goal of raising the digital TV penetration rate to 100% by 2016, TWM Broadband aims to become a one-stop shop for home digital services by integrating high-definition digital content, multiple-viewing terminal devices, high-speed fiber-optic broadband service and cloud technology, allowing families and individual subscribers to enjoy the benefits of "four screens and a cloud" (i.e., mobile phones, PCs, tablets and TVs).

Enterprise Business Group

1.   Short-term plan

The popularity of smart devices has gradually changed enterprise communication patterns. To meet the need of mobile offices, the Company commenced operations of a 26,000 sq.m. internet data center in November 2013 to provide better cloud computing services. Since winning a 4G mobile broadband license in October 2013, the company has aimed to provide faster and better data transmission quality. The Company is further developing enterprise mobility solutions to help reduce corporate costs and enhance operating efficiency.

To cope with the increasing demand for cloud computing services and growing transnational bandwidth traffic, the Company invested in the Tamsui-Fuzhou submarine cable project, which was commercially launched in November 2013. The cable line should provide quick, stable and cost-efficient integrated data services across the Taiwan Strait for enterprise customers.

2.   Long-term plan

EBG's vision is to expand its enterprise services from network-centric to IP solutions, cloud services and mobile application by implementing the following:

(1) Grow revenue from cloud computing and mobile applications.

(2) Raise sales productivity and expand the small-and-medium enterprise market segment by integrating channels.

(3) Improve the international business division's operating efficiency by increasing direct peering coverage, managing quality and reducing international IP cost.

Fubon Media Technology

1.   Short-term plan

(1) TV home shopping: Increase scale of products, expand mobile and digital platforms, and incorporate main suppliers into the company's supply chain management system.

(2) Online shopping: Provide differentiated value-added services, enhance competitive advantages in the mobile market, perform big data analytics and recommend more individualized products to clients.

(3) Mail order: Strengthen visual editing to refine the design of momo catalogs and develop e-catalog services to expand touch points with customers.

2.   Long-term plan

Take a pro-active approach in increasing momo's brand image, explore Southeast Asia's TV shopping market to export best-selling products, leverage off the Group's marketing resources and sales channels to enhance operating efficiency and provide innovative services though mobile and cloud platforms.

Customer satisfaction

To create the best experience for customers, TWM conducts annual customer satisfaction surveys by telephone to better understand their needs and expectations. Customers are asked to evaluate call quality, rates, bills, customer hotline service, store service, value-added services, and the Company's website among others. The findings from these polls are used as a reference to set new objectives and improve service quality.

Customer satisfaction key indicators	2011	2012	2013
Overall satisfaction	3.7	3.8	3.7
Call quality	3.6	3.7	3.7
Customer hotline service	4.3	4.5	4.4
Store service	4.0	4.1	4.2
Note: Customer satisfaction is rated based on the following scores: Very satisfied (5), Satisfied (4), Neither satisfied nor dissatisfied (3), Dissatisfied (2) and Very dissatisfied (1).			

Market and Sales Overview

Market analysis

Consumer Business Group

1. **Main products and service areas**

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

2. **Market status**

    By the end of December 2013, the penetration rate for mobile subscribers had reached 127%, implying a saturated market. However, the release of 4G licenses, rapid innovations in mobile devices and rising demand for mobile internet and value-added services all suggest a growing market, encouraging new entrants to venture into the market.

3. **Competitive advantages**

    (1) Better customer mix

    In 2013, the Company succeeded in improving its subscriber base structure. The percentage of low usage subscribers fell by 4 ppts from a year ago, while the percentage of mid-to-high usage subscribers continued to increase.

    (2) Market leader in wireless broadband

In 2005, the Company became the first mobile communication operator in Taiwan to launch 3G services, and in 2007, it rolled out the nation's first 3.5G service. Subscribers enjoyed flexible rate plans, high-quality mobile handsets, and a wide range of value-added services. By the end of 2013, the Company had a 3G subscriber base of over 6.4 million users, who contributed more significantly to value-added service ARPU than 2G subscribers, and have become the main driver of VAS revenue growth.

4. Opportunities and challenges

Positive factors

(1) With the introduction of 4G service, lower prices for smart devices and data rate plans, and the emergence of new, varied applications, mobile internet access is rapidly spreading from entrepreneurs and professionals to ordinary consumers, contributing to the rapid growth in non-voice revenue.

(2) With information technology, communication and media trends converging, mobile operators play a pivotal role in the supply chain.

Negative factors

(1) The NCC's implementation of mobile termination rate (MTR) cuts from 2013 to 2016 is expected to weigh on mobile voice revenue in the future.

(2) The increasing popularity of IP messaging apps has affected mobile voice revenue.

Countermeasures

(1) The Company plans to roll out its 4G network at full speed to satisfy customers' needs for high-speed internet access.

(2) The Company maps out strategies in response to government policy changes and new laws and regulations.

(3) The Company will continue to introduce innovative value-added services for smartphones to stimulate data service revenue growth and offset the impact of falling voice revenue.

Home Business Group

1. Main products and service areas

TWM Broadband provides cable TV, high-definition digital cable TV, and fiber-optic broadband internet access services. Its main service areas are New Taipei City's Sinjhuang and Sijhih districts, Yilan County and Greater Kaohsiung's Fongshan District.

2. Market status

(1) Cable TV

Taiwan's cable TV penetration rate has reached over 60% of households, according to NCC data. Watching TV is a major leisure activity in Taiwan – one that is relatively unaffected by fluctuations in the economy, ensuring stable market demand.

(2) High-definition digital cable TV

Digitalization is the future trend for CATV. With the Executive Yuan setting a target of 100% digital TV penetration rate by the end of 2016, business opportunities abound in this market of 6 million households nationwide. TWM Broadband is tapping into this digitalization value chain by offering rich HD content, stable and quality signal, various platforms for viewing TV programs and an affordable TV set bundled promotion to boost digital TV's penetration rate.

(3) Broadband internet access

With the broadband internet access market moving toward high-speed services, the migration of mid-to-low speed users to faster speeds will be the main growth driver for the market. TWM expects to gain share in this market by offering competitive prices and superior quality for its 100Mbps and above internet access service.

3. Competitive advantages

(1) Optimize broadband network quality

TWM Broadband introduced network quality assurance management (QAM) to optimize management of its network system and bandwidth to ensure that customers get premium broadband access and the best user experience. Aside from lowering the group's broadband costs, this has helped strengthen TWM's competitiveness in the broadband access market and in facilitating digital convergence.

(2) Strengthen fiber-optic broadband cable networks

TWM Broadband will continue to deploy a dense, ring-type fiber-optic backbone network and provide back-up systems for its bi-directional network with advanced DOCSIS 3.0 network technology. TWM Broadband is able to provide 120Mbps or faster high-speed internet access services. Unlike ADSL with its range constraints, cable internet provides lower cost but premium quality super high-speed broadband services.

(3) Enrich digital content and VAS to increase ARPU of digital TV service

TWM Broadband aims to increase the variety and quantity of value-added services such as HomePlay and Super MOD to offer triple play bundled services (i.e., broadband access, digital TV and VAS) to increase its subscriber base and ARPU.

(4) Leverage off Taiwan Mobile Group's integrated resources to develop innovative digital convergence products and services

TWM Broadband's resources cover mobile communication, fixed network, CATV, ISP and channel content. The integration of these resources, together with the Taiwan Mobile Group's extensive technical support, as well as sales and marketing resources, forms the core of TWM Broadband's competitive advantage in the home market.

(5) Form strategic alliances with core industry players to create new business opportunities

TWM Broadband formed an innovative strategic alliance in November 2012 with the world's most advanced

producer of large-sized LCD panels – Sakai SIO International Holdings – to offer 60-inch TVs made by the Hon Hai Group. The initiative gave consumers a complete package of digital TV services, including nearly 30 HD channels and Super MOD, bundled with an extremely competitively priced large TV. TWM Broadband will continue to seek alliances with other partners to create new business opportunities

4. Opportunities and challenges

Positive factors

(1) Government speeding up digitization policy to promote the development of digital TV

Riding on the government's digitization policy push and the launch of its Super MOD and HomePlay services, TWM Broadband promoted its CATV services and facilitated its analog TV customers' switch to digital services, thereby raising its digital TV subscriber numbers and penetration rate. TWM Broadband will further increase its digital TV value-added services to boost its revenue stream.

(2) High-speed cable internet service has become the mainstream

TWM Broadband has completed upgrading its ring-type fiber-optic backbone network and infrastructure in its operating areas and adopted the latest high-speed DOCSIS 3.0 cable internet technology. It can provide high-speed broadband internet access speeds of 120 Mbps to help expand its market share, as well as increase customer loyalty and ARPU.

Negative factors

(1) There is still a risk that local governments might lower the cap on cable TV fees during their annual review.

(2) The NCC might support the airing of CATV content on Chunghwa Telecom's MOD, posing a threat to other CATV operators.

(3) The NCC plans to make it mandatory that CATV operators provide customers with at least two free set-top boxes, which, if passed, would increase operating costs.

(4) The NCC has introduced CATV service area rezoning, and competition is expected to intensify as new entrants compete for market share.

Countermeasures

(1) TWM Broadband has been able to utilize its parent company's extensive resources (e.g., technology, marketing, sales and distribution) to promote high-speed internet access services and market digital convergence services with Taiwan Mobile Group's telecommunication, information and media content services. TWM Broadband aims to provide a "one-stop shopping" service that meets all of its customers' needs in order to boost its cable TV, broadband internet access and digital TV subscriber numbers and their contribution to revenue.

(2) TWM Broadband is using its digital cable TV platform to cultivate Taiwan's cultural and creative industries, enrich the nation's digital channel and connected TV content, and stimulate the development of digital content

and innovative connected TV services.

(3) TWM Broadband seeks to maintain good relations with local governments and communities. With the help of Taiwan Mobile Group's extensive resources – such as the Taiwan Mobile Foundation – TWM Broadband sponsors local artistic, cultural and charitable activities, while also subsidizing the cost of network deployment in remote areas, working to bridge the digital divide, and fulfilling its responsibilities as a good corporate citizen, thereby strengthening its corporate image of "community-based growth and giving back to the community."

(4) TWM Broadband is closely monitoring developments in the regulatory authorities' policies on digitization and relevant laws and regulations. TWM Broadband will take the initiative in formulating countermeasures to deal with changes in the market.

Enterprise Business Group

1. Main products and service areas

EBG mainly offers its products and services in Taiwan, but also provides international services in 262 countries. As of the end of 2013, the company's roaming services covered the following: GSM: 191 countries, 361 networks; 3G: 95 countries, 202 networks; GPRS: 156 countries, 297 networks.

2. Market status

EBG offers enterprise customers voice, internet and data services. Given the rising demand for ICT solutions and services, IP-based applications have become more popular, resulting in steady growth for the domestic telecommunication market.

(1) Voice service: Fixed lines' local and international calls and average revenue per minute (ARPM) are expected to continue to decline because of rising competition from VoIP and mobile services in recent years and the introduction of new long-distance call rates in 2012.

(2) Data service: Given stable demand for enterprise data access, revenue from IP VPN and Metro Ethernet will remain the main revenue contributor.

(3) Internet service: As internet content services boom, enterprise demand for high-speed internet access service has been rising. However, fierce competition will result in moderate revenue growth.

(4) Mobile service: As the demand for office mobility increases, TWM Solution is helping enterprise customers incorporate various mobile applications – including electronic workflow, commercial intelligence, mobile device management (MDM) and ERP – into their mobile devices. With enterprise users increasingly accessing internet information via their smart devices, mobile voice revenue should benefit from the rising demand for mobile internet services.

(5) Cloud computing service: As cloud computing technology gradually matures and benefits from government support, operators are actively venturing into cloud computing services and strengthening the software and hardware supply chain. The diverse range of mobile devices and digital content should also boost demand for cloud services, underpinning growth in cloud app subscriber numbers and revenue.

3. **Competitive advantages**

(1) Premium brand equity: The Company provides customer-centric quality services. TWM Business Solution is readily associated with Taiwan Mobile and has won recognition among major enterprises.

(2) Professional management team and efficient support group: The Company leads the competition in achieving synergies from the integration of group resources, including mobile telephony, fixed network and cable TV network, with integrated back-office functions to support its frontline operations and provide enterprise customers with exclusive integrated information and communication technology for business expansion.

(3) Effective sales teams and channels: The Company's direct sales teams and retail chains across the nation are an effective channel for developing and expanding services.

(4) Expanding resources from international alliances: The Company is the sole Taiwanese member of the Bridge Alliance, the largest mobile alliance in the Asia-Pacific region with a combined customer base of about 340 million.

4. **Opportunities and challenges**

Positive factors

To increase efficiency, an increasing number of enterprises are adopting cloud computing technology and mobile applications to save maintenance expenses for software, hardware and IT personnel and equipment, while freeing them up to focus on their core business. The Company's newly launched internet data center has obtained Tier III certification from Uptime Institute for its design and facility, as well as ISO 50001 certification for energy management and silver certification for Green Grid PUE. TWM has also obtained ISO 27001 / ISO 27011 certifications – proof that it has passed global information security standards. Going forward, the Company will launch high-speed wireless broadband service with the spectrum acquired in the 4G auction to provide enterprise customers with the best choice. The Company also possesses a wealth of mobile and fixed resources to provide one-stop shopping for integrated services. EBG is well-positioned to meet Taiwanese companies' rising telecommunication needs in the Greater China area.

Negative factors

The local loop bottleneck is a major obstacle to fixed-line operators' business expansion, as market leader Chunghwa Telecom continues to dominate with its last mile advantage.

Countermeasures

To maintain its long-term partnership with high data users, the Company provides an excellent enterprise mobile integration program, a new cloud center and cloud management services. Targeting small and medium enterprise users, the Company provides standardized cloud products, helping them to simplify network

management and reduce operating costs. Furthermore, the Company is developing more cloud value-added applications to meet customers' diverse needs.

Fubon Multimedia Technology

1. Main products and service areas

Momo mainly provides TV home shopping and online shopping services in Taiwan and mainland China.

2. Market status

Despite a saturated cable TV penetration rate in Taiwan, the number of households signing up for digital TV services is increasing as digital TV uptake rises. Digital TV programs are set to become a two-way interactive platform between the Company and consumers. Social media marketing allows immediate feedback from customers and strengthens communication between members, thereby increasing their sense of loyalty. New types of marketing platforms such as shopping via mobile devices are also growing alongside the uptake in 4G services. Mobile platforms attract younger groups and could lead them back to cable or digital TV channels, allowing these sales channels to continue growing.

3. Competitive advantages

(1) A solid reputation: Backed by years of experience, momo has built a solid reputation among suppliers and buyers in the TV home shopping field. Aside from winning customers' confidence, momo has enhanced suppliers' willingness to entrust their brands to the company, allowing it to offer a diverse range of products.

(2) Solid support: momo is able to seize the initiative by leveraging off the resources of affiliates – including TWM's mobile, fixed-line and cable TV businesses and Fubon Group – to set up digital convergence, mobile platforms and mobile payment mechanisms.

(3) Competitive brands: Momo has established an overseas merchandising department to scout for competitive brands abroad and serve as their sales agent or exclusive distributor. With well-known brands from South Korea, Japan, the US and Europe complementing its popular range of Taiwan-branded products, momo is able to offer a wide variety of first-rate beauty and personal care products on its website.

(4) Travel services: Consumers can book domestic or international trips with momo's 100%-owned subsidiary Fu Sheng Travel Service Co., Ltd. through momo's shopping website.

(5) Comprehensive product range: momo offers a wide range of products – from beauty/skin care to food/beverages/ groceries, home appliances and health/fitness – that caters to the needs of the modern family and consumers for practical rather than simply trendy items.

4. Opportunities and challenges

Positive factors

(1) A rising mobile device penetration rate should foster rapid growth in the mobile shopping market.

(2) E-commerce should benefit from government policy to accelerate the rollout of fiber-optic and 4G wireless

broadband networks.

(3) A low birthrate and an aging population are creating a new social trend that is worth tapping into.

<u>Negative factors</u>

Some products featured on home shopping networks have been fined for deceptive and exaggerated advertising claims.

<u>Countermeasures</u>

(1) momo will continue to develop new display platforms, such as mobile apps, shopping via remote control and digital TV interactive shopping, to meet changes in consumer buying behavior.

(2) momo has enforced measures to filter out controversial or risky products and clearly define obligations between supplier and the company if and when fined.

Main features and production process of major products: Not applicable as the Company is not a manufacturer.

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

Major suppliers and customers in the past two years

Major suppliers

	2012				2013			
	Company	Procurement amount	% of operating costs	Nature of relationship	Company	Procurement amount	% of operating costs	Nature of relationship
1	Company A	11,135,537	26	Third party	Company C	7,512,911	15	Third party
2	Company B	5,396,150	12	Third party	Company B	6,150,331	12	Third party
3					Company D	5,440,115	11	Third party
	Others	27,088,057	62		Others	32,566,649	62	
	Total	43,619,744	100		Total	51,670,006	100	

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

Reasons for variation

Procurements from suppliers varied as the Company purchased handsets and other 3C products from different vendors to meet its business development needs and market demand.

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

Sales volume in the past two years

Services		2012		2013	
		Sales volume	Revenue (NT$'000)	Sales volume	Revenue (NT$'000)
Mobile	Mobile ('000 subs)	7,012	51,270,830	7,225	52,577,783
Domestic Fixed-line	Local network ('000 subs)	175	1,749,717	168	1,609,890
	Domestic long distance ('000 minutes)	136,259	140,109	120,098	119,157
	Internet service ('000 subs)	180	1,098,034	158	1,016,758
International Fixed-line	International network ('000 minutes)*	629,187	4,857,707	513,041	4,268,363
Others		NA	40,623,859	NA	49,551,416
Total			99,740,256		109,143,367

* Outgoing minutes only

Human Resources

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

Year		2012	2013	2014 (as of March 20)
Number of employees	Consolidated	6,529	7,309	7,137
	Stand-alone	2,959	2,379	2,336
Education level (Note)	Ph.D.	0.24%	0.10%	0.11%
	Master's	20.71%	13.82%	13.89%
	University	53.09%	58.31%	58.05%
	College	20.99%	21.49%	21.51%
	Others	4.97%	6.28%	6.45%
Average age (Note)		36.43	35.06	35.22
Average years of service (Note)		6.78	5.82	6.00

Note: 2012 numbers were on a stand-alone basis, while those of 2013 and beyond were on a consolidated basis.

Environmental Protection Expenditure

Loss or penalty due to environmental pollution in the past two years up to date of publication: None

Countermeasures:

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

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

Employee Relations

Employee behavior/ethical standards

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

Delegation of authority

1. Authorization guidelines and limitations: Aimed at streamlining business processes, strengthening distribution of responsibility, as well as detailing management authority at each job level.

2. Empowerment and delegation rules: Designed to ensure smooth and normal business operations.

3. Job ranking, title and organizational structure policy: Formulated to correspond to employees' career plans.

Work rules

The Company's work rules clearly define the rights and obligations of management and labor. The Company's modern management approach has promoted cooperation among employees and benefited the Company.

Divisional responsibilities

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

Reward and punishment policies

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

Employee assessment policy

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

Attendance and leave policy

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

Business confidentiality policy

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

Sexual harassment prevention and handling procedures

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

Code of Conduct

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

Employee benefits program

1. All employees are entitled to labor insurance, national health insurance, and group insurance coverage starting from the first day of work.

2. The Company has an employee stock subscription plan and an employee profit-sharing plan.

3. The Company and its subsidiaries had established a respective Employee Welfare Committee to handle and implement employee benefits programs. This was replaced in 2006 by a Joint Welfare Committee integrating all the committees set up by TWM and affiliates TAT, Mobitai, TFN and TFNM into a single unit. The committee is in charge of a number of benefits designed to raise employees' quality of life and promote physical and mental well-being, including club activities, company outings, family day, and benefits for special occasions such as weddings, festivals and funerals.

Employee training and education program

1. Training expense in 2013 and up to February 28, 2014 totaled NT$30,994,791, with 72,097 participants and 80,871 in training hours.
2. Orientation for new employees includes introduction to the corporate culture, company organization, telecommunication market, IT and network systems, labor safety, as well as information security training.
3. Core competency development: Focus on basic competencies, including problem solving, decision-making, communication, project management, basic legal knowledge of the telecommunication market, team building and service skills.
4. Management training and development: Separate training programs for entry-level management, middle management and senior management. Training courses include performance management, leadership, motivation skills, strategy management, innovative thinking, team dynamics and organizational development skills.
5. The Company sends large numbers of employees to local and international telecommunication conferences, management forums, consulting seminars, and vendor training programs every year. These activities have a profound impact on upgrading the Company's technologies, developing new products, introducing new and innovative ideas, and improving managerial skills.
6. The Company has a scholarship program for employees to develop their expertise in telecommunication technologies and business administration.
7. The Company sponsors external training courses for all employees annually. Employees can select courses that combine their personal interests and job needs to reap the maximum benefits from these training sessions.

Retirement plan and implementation

1. The Company has published Employee Retirement Guidelines according to regulations.
2. The Company has a Labor Pension Supervisory Committee, which was approved by the Taipei City

Government. In addition, the Company retains the services of an actuary to assess and calculate labor pension reserves and provide a detailed report.

3. The Company implemented the New Labor Pension System in July 2005.

Employee safety and sanitary policy

To fulfill the Company's social responsibility in providing its employees with a safe, healthy and comfortable working environment, the Company endeavors to:

1. Abide by and comply with regulations on environmental protection, safety and sanitation.
2. Be on constant lookout for potential hazards in the work environment to minimize accidents.
3. Promote health education, conduct physical examinations, and implement health management programs.
4. Promote and instill energy-saving consciousness to help reduce waste of resources.

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

1. A unit dedicated to conducting environmental inspections and carrying out employee sanitary training courses was established in accordance with regulations.
2. A Health and Safety Committee was set up to draft a plan to prevent job injuries, ensure compliance and review related rules on employee health and sanitary improvement solutions through periodic meetings.
3. Full-time professional nursing personnel are employed to perform health checks, track the progress of staff who failed their health examinations, and hold talks on health promotion. Staffers who are able to administer first aid treatment have been placed in each work area.
4. Fire/flood protection exercises are held periodically to reduce risks of employee injury and property loss from natural disasters.
5. Guards and security systems have been installed at all main base stations and work offices to protect staff, property and information security.
6. Energy-saving policies have been established to reduce carbon emissions.

Labor negotiations and protection of employee benefits

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

Losses caused by labor disputes in the recent year up to publication date: The Company maintains a harmonious management/labor relationship and no material dispute occurred

Number of disabilities due to on-the-job injuries/fatalities in the recent year up to publication date

Year	2012	2013
Number of disabilities	2	2
Disabling Frequency Rate (FR, Note 1)	0.35	0.38
Disabling Severity Rate (SR, Note 2)	12.1	2.58

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

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

Major Contracts

Nature	Counterpart	Contract period	Description	Restriction clauses
Sales and distribution	E-Life Mall Corp.	2012.09.01~2013.08.31 (Note 1)	E-Life Mall is authorized to distribute TWM's mobile services.	Non-disclosure
	Aurora Telecom Corp.	2012.07.01~2013.06.30	Aurora is authorized to distribute TWM's mobile services.	Non-disclosure
	Tsann Kuen Enterprise Co., Ltd.	2013.06.01~2014.05.31	Tsann Kuen is authorized to distribute TWM's mobile services.	Non-disclosure
Network interconnection	Chunghwa Telecom Co., Ltd.	2011.06.01~2012.05.31 (Note 2)	Network interconnection	Non-disclosure
	New Century InfoComm Tech Co., Ltd.	2005.05.01~2006.04.30 (Note 2)	Network interconnection	Non-disclosure
	Taiwan Fixed Network Co., Ltd.	2011.01.01~2011.12.31 (Note 2)	Network interconnection	Non-disclosure
	VIBO Telecom Inc.	2006.01.16~2007.01.15 (Note 3)	Voice and SMS interconnection	Non-disclosure
	Asia Pacific Telecom Co., Ltd.	2011.08.01~2012.07.31 (Note 2)	Network interconnection	Non-disclosure
	Far EasTone Telecommunications Co., Ltd.	2004.02.10~2005.02.09 (Note 1)	Voice and SMS interconnection	Non-disclosure
	First International Telecom Corp.	2013.12.20~2014.12.20 (Note 2)	Voice and SMS interconnection	Non-disclosure
	Global Mobile Corp.	2011.05.01~2012.04.30 (Note 2)	Network interconnection	Non-disclosure

Nature	Counterpart	Contract period	Description	Restriction clauses
Corporate bond offering	Chinatrust Securities and 9 other securities companies	2008.11.14~2013.11.14	Second unsecured straight corporate bond issue of NT$8 billion, with the remaining NT$4 billion balance repaid on Nov. 14, 2013.	Non-disclosure
	KGI Securities Co., Ltd. and Grand Cathay Securities Corp.	2012.12.20~2019.12.20	Third unsecured straight corporate bond issue of NT$9 billion.	Non-disclosure
	Yuanta Securities, MasterLink Securities, Sinopac Securities and Cathay Securities Corp.	2013.04.25~2018.04.25	Fourth unsecured straight corporate bond issue of NT$5.8 billion.	Non-disclosure
Long-term credit facility	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Taipei Branch	2013.12.31~2015.12.31	The total aggregate amount of the long-term credit facility was NT$3 billion.	Non-disclosure
	Sumitomo Mitsui Banking Corporation, Taipei Branch	2014.02.17~2016.02.17	The total aggregate amount of the long-term credit facility was NT$3 billion.	Non-disclosure
Mobile phone purchase	Samsung Electronics Taiwan Co., Ltd.	2012.11.01~2013.10.31 (Note 1)	Mobile phone purchase agreement	Non-disclosure
Equipment purchase	Nokia Solutions and Networks Taiwan Co., Ltd. (former name as Nokia Siemens Networks Taiwan Co., Ltd.)	2011.02.01~2014.12.31	NT$6.65 billion contract for 3G equipment supply. Maximum purchase amount increased to NT$14.6 billion in September 2012.	Non-disclosure
		2014.01.01~2016.12.31	4G equipment supply contract amounts to NT$11.564 billion.	Non-disclosure
Customer service	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	2006.01.01~2010.12.31 (Note 1)	TT&T handles TWM's customer services and product sales.	Non-disclosure

Operation consignment	Taiwan Digital Service Co., Ltd. (TDS)	2013.07.01~2014.06.30 (Note 1)	TDS manages TWM's direct sales channel and other related businesses.	Non-disclosure
Affiliates				
TFN project construction	MiTAC Information Technology Corp.	2012.11.30~the expiry date of warranty period	The construction of Taiwan Fixed Network Co., Ltd.'s (TFN) cloud IDC amounts to NT$443 million.	Non-disclosure
TDS mobile phone purchase	Taiwan Mobile Co., Ltd. (TWM)	2013.07.01~2014.06.30	TWM manages TDS's mobile phone purchase business	Non-disclosure

Note 1: The contract shall remain valid past its expiration date if both parties do not issue any objection to the continuation of the contract.

Note 2: When any network interconnection contract expires, should the two parties not be able to conclude their negotiations within three months after their commencement, the process shall be as follows:

(1) If the two parties concur to continue their negotiations, the terms and conditions of the current contract or such other conditions agreed by both parties will apply during the negotiation period.

(2) Either party can appeal to the NCC for a ruling. Prior to the date of such a ruling, the terms and conditions of the current contract shall apply until the NCC makes a decision. The new contract will be made based on the NCC's ruling.

Note 3: Negotiations for the following year's contract shall commence three months prior to the contract expiry date. If negotiations are not finalized prior to the expiry date, the parties shall agree to perform their obligations based on the current contract until such time when negotiations are finalized.