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# Taiwan Mobile

## 2020 Annual Report

# 5G



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Listing of Foreign Securities	None	

Disclaimer

*Please note that this English annual report is not a word-for-word translation of the Chinese version.  
In the event of any variance, the Chinese text shall prevail.*

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# Letter to shareholders

Dear Shareholders,

Taiwan Mobile (“TWM,” or “the Company”) officially launched its 5G commercial services on July 1, 2020. To meet this new challenge, the Company initiated rebranding with a new core value – “Open Possible” – as we endeavor to explore opportunities in 5G, AI and IoT, using mobile technology to enable smarter living and open endless possibilities into the future. As always, the Company applies the highest standards to corporate governance, shareholder value and customer satisfaction, and regards sustainability as a corporate social responsibility.

## **New business roadmap and group resources integration**

In 2020, aside from continuing to collaborate with Google on “Smarter Home” projects, TWM joined forces with Riot Games and NVIDIA to enter the gaming market, launching the cloud gaming platform “GeForce NOW powered by Taiwan Mobile,” on top of publishing a number of popular Riot Games titles. With our Double Play package, which bundles unlimited 5G mobile data and high-speed fixed broadband, customers are able to enjoy the new services and applications brought about by high-speed transmission indoors and outdoors. TWM’s solid presence in the mobile, fixed network, cable TV and e-commerce fields has deepened and broadened its relationship with customers, as well as enhanced business synergy. We also helped promote momo coins and momo apps, and plan to reinforce momo’s warehousing efficiency with our 5G mobile edge computing and pathway optimization capabilities.

## **Innovative applications and research results**

TWM’s efforts in developing its 5G ecosystem and innovative services bore fruit in 2020, with successful use cases such as 5G-enabled commercial autonomous vehicles, an immersive 360-degree VR graduation ceremony powered by 5G technology, Taiwan’s first 5G-connected smart stadium, an over-the-air (OTA) service management platform, and an AI-driven taxi fleet management system. Furthermore, to contribute to public health, TWM introduced a smart IoT wireless radio system to bolster airport quarantine and pandemic-prevention efforts, and “myAngel,” an IoT system to track and care for the elderly. On the research-and-development front, deep learning-based resource allocation for 5G heterogeneous mobile networks, convolutional neural networks that identify and eliminate multiple sources of interference, virtual live streaming services on VR devices, and smart warehouse were just some of the products and services developed by our research team.

## **World-class corporate governance**

Taiwan Mobile has striven to be a role model in corporate sustainability, with the Company once again receiving numerous commendations in the past year. In recognition of its efforts, TWM was included in the Carbon Disclosure Project’s (CDP) climate change “A” list for the second year in a row, the only telecom company to make it to the list. The Company was also selected by SAM, a leading international sustainability investment specialist, for inclusion in its “2020 Sustainability Yearbook,” receiving a Silver Class award for the third consecutive year. Additionally, the Company was included in the Dow Jones Sustainability Indices (DJSI) Emerging Markets Index for the ninth consecutive year and in the DJSI World Index for the fourth time, regaining the No. 1 spot in the global telecommunications industry. TWM was also accorded Prime status in

the Institutional Shareholder Services' environmental, social and corporate governance (ISS ESG) corporate rating for the third consecutive year, and ranked 10<sup>th</sup> in the ISS Taiwan ESG 30 list, the best in the telecommunications industry.

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

Backed by its aggressive 5G infrastructure rollout and promotion of related applications, Taiwan Mobile ranked first in the number of 5G base stations and availability at the end of 2020. Following the launch of 5G services, the telecom industry's landscape has become more rational, with the Big 3 operators setting their minimum monthly fee for 5G unlimited data plans at NT\$1,399.

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

### **Corporate social responsibility**

As a national telecom industry leader, it is our duty not only to continue to pursue solid operational and financial performances, but also to take into account social inclusion, environmental awareness and sustainability. In 2020, TWM's efforts were recognized by different organizations in Taiwan, with the Company receiving its 15<sup>th</sup> and 16<sup>th</sup> Corporate Social Responsibility Award from *Global Views Monthly* and its 13<sup>th</sup> Excellence in Corporate Social Responsibility Award from *CommonWealth Magazine*, where it ranked first in the telecom industry for the fifth consecutive year. The Company earned further distinction by receiving 10 awards at the 2020 Taiwan Corporate Sustainability Awards and was honored with the Most Prestigious Sustainability Award – Top 10 Domestic Corporations for the sixth time, the most among domestic telecom peers.

### **2020 operating and financial results**

The Company posted consolidated revenue of NT\$132.9 billion, EBITDA of NT\$31.3 billion, net profit of NT\$11.3 billion and earnings per share of NT\$4.01. While the Company's profitability dwindled YoY due to 5G spectrum amortization and rising depreciation, along with plummeting roaming revenue due to the COVID-19 pandemic, its net income still exceeded guidance.

### **Outlook**

With the advent of the 5G era and an aging society, the setting for Industry 4.0, smart home and smart care is gradually maturing. As companies explore 5G applications and opportunities, competition in the telecom industry is moving into a new era filled with uncertainties and endless possibilities. Building on its spirit of innovation, TWM plans to introduce more IoT care systems and provide total solutions for enterprises, while integrating technology into everyday life to enhance profit contributions from its consumer, cable TV, enterprise and retail business groups.

Daniel M. Tsai  
Chairman

# Chapter 1 Company Highlights

## Vision

With the advent of the IoT, AI and 5G era, Taiwan Mobile (“TWM”) has transitioned into an internet company, and has introduced its core brand spirit “Open Possible.” The Company has adopted a “Super 5G” strategy that embraces innovative technologies to build up a diverse business encompassing “T.I.M.E.” – Telecom, Internet, Media & Entertainment, and E-Commerce. Bearing in mind the greatest common interests of its eight key stakeholders, TWM provides “Integration” for tech solutions, “Intelligence” for applications, “Individuality” for personal experiences, and new “Inspiration” and perspectives.

In addition, TWM is determined to pursue world-class sustainability standards, and started its “Zetta Connected 2030” Project to enhance corporate governance, environmental sustainability and social collaboration. Guided by its philosophy of “Think Sustainable, Act Responsible,” TWM is committed to supporting users’ efforts to fulfill their visions and dreams, as well as creating greater value for its shareholders, employees and the public, aiming to open endless possibilities for future generations.

## Core Competencies

Taiwan Mobile focused on six core competencies (6C) – Coverage, Convergence, Content, Channel, Cloud and Corporate social responsibility (CSR) – to bolster its competitiveness. To realize its goals, the Company has adopted a Super 5G strategy: leveraging its 7.3 million user base and big data (Gift); promoting synergy among group companies, such as cable TV giant Kbro, e-commerce leader momo, and startup accelerator AppWorks (Group); implementing a 10-to-15-year long-term plan to develop a Super 5G ecosystem (Grit); fulfilling our fundamental love for Taiwan, humanity and the Earth (Green); and expanding our vision by developing into an international enterprise serving Greater Southeast Asia (GSEA).

TWM kicked off its re-branding project in 2020 and formally introduced 5G services on July 1. By the end of 2020, the Company had a wider 5G coverage than its local peers, with 6,000 3.5GHz super high-speed “true 5G” base stations, while 5G subscribers surged to over 500,000 within seven months. Apart from targeting users who need both mobile internet and fiber optic internet with its Double Play discount package, TWM collaborated with various partners to develop new applications using 5G platform and technologies. The Company teamed up with Riot Games to launch mobile games in Taiwan, including “League of Legends: Wild Rift.” TWM also teamed up with global GPU graphics chip giant NVIDIA to bring the GeForce NOW (GFN) cloud gaming platform to Taiwan. As for corporate users, apart from displaying smart stadium applications at Xinzhuang Baseball Stadium, TWM also joined forces with Formosa Plastics Transport Corp. — a member of the Formosa Plastics Group — along with other companies, start-ups and universities to develop self-driving vehicles for industry and commerce.

On top of that, TWM has adopted world-class standards of corporate sustainability. In 2020, the Company was selected as a constituent of the DJSI World Index for the fourth consecutive year, ranking first among global telecommunication companies. TWM will continue to leverage its strengths in operations, innovation and other core resources to boost its competitiveness on a broader scale, and strive to open more possibilities.

## **Brand Value**

In 2020, guided by the brand spirit "Open Possible", TWM moved into the 5G era, and assisted users in embracing technology, exploring the world, connecting with other people, gaining new perspectives and experiences, and realizing the promises of 5G.

In spite of the global COVID-19 pandemic, TWM continued to integrate its core competencies and resources in 2020. As its CSR Blueprint "Zetta Connected 2030" suggests, the Company aims to create seven crucial values for stakeholders: ethical operations, sustainable partnerships, brand excellence, innovative accomplishments, environmental sustainability, a happy workplace and social inclusion. All these efforts should contribute to building a sustainable smart value chain and allow the Company to exert the full positive power of its brand.

With its Super 5G strategy, TWM in 2020 focused on building up its 5G infrastructure, AI, Big Data and Cloud services. Aside from promoting the robust growth of its first e-commerce brand "momo," TWM introduced its third and fourth growth engines, teamed up with strategic partners, constructed a new ecosystem, developed numerous vertical-domain 5G applications, and provided next-generation solutions. In addition to smart stadium, smart living and smart manufacturing applications, TWM made advancements in Internet of Vehicles and online gaming, and continued to develop killer apps. With an eye to offering users boundless possibilities, the Company leveraged its diversified telecommunications, fiber internet, cable TV and e-commerce services to create its Double Play solution. TWM also teamed up with Google to proactively promote the smart home scenario with its Smart Speakers. Furthermore, TWM continued to develop audio-video content and services (including myVideo, MyMusic and myBook) and innovative IoT applications (including myAir and myAngel), giving users an exciting new smart living experience.

## **Date of Incorporation**

The Company was founded on February 25, 1997.

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

Refer to page 72 "Changes in shareholdings of directors, managers and major shareholders".

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

## Awards and recognitions from 2020 up to the publication date in 2021

February	2021	Honored with a “Gold Award” in S&P Global’s “The Sustainability Yearbook 2021”, ranking first in the global telecommunications market.
December	2020	Received a Sponsorship Award Gold Class and Long-term Corporate Supporter Award at the 2020 Sports Promoter Awards from the Sports Administration, Ministry of Education.
December	2020	Received internationally renowned Swiss firm SGS’ Qualicert certification for its direct store channel, myfone and customer services for the ninth year in a row.
December	2020	Led the telecom industry at the Excellent Store Manager Awards and Outstanding Store Manager Awards by the Taiwan Chain Stores and Franchise Association, with TWM winning one Excellent Store Manager Award and six Outstanding Store Manager Awards.
December	2020	Recognized as an A-list climate change enterprise by CDP, the world’s largest carbon disclosure organization.
November	2020	Received a Silver Medal in the National Corporate Environmental Protection Awards – the sole company in the telecom industry to receive this accolade.
November	2020	Selected as a member of the highest grade of the Dow Jones Sustainability World Indices (DJSI World) for the fourth consecutive year, and again placed first in the global telecom industry on the DJSI World Index.
November	2020	Honored as one of the Top 10 model enterprises in the Taiwan Corporate Sustainability Awards for the sixth time, including taking first place in the service industry division, winning 10 individual awards, and displaying the best performance in the telecom industry.
November	2020	Honored with the Benchmark Project Award at the Project Management Institute’s Project Management Awards.
November	2020	Received recognition from the Taiwan Contact Center Development Association’s Customer Service Excellence Awards for the fourth straight year, with TWM winning two awards — Customer Management Team and Best Customer Service Sales Team.
November	2020	Received a 2020 Sports Enterprise Certification from the Sports Administration.
October	2020	Chairman Daniel M. Tsai placed 13th in the <i>Harvard Business Review’s</i> “2020 Taiwan’s Top 100 CEOs.”
September	2020	Ranked 10th in ISS ESG’s ranking of corporations in Taiwan.
September	2020	Included in Business Next’s ranking of the 100 most valuable enterprises in Taiwan.
September	2020	Ranked sixth in <i>CommonWealth Magazine’s</i> CommonWealth Corporate Citizen Awards; has won a cumulative total of 13 trophies at these awards.



May	2020	Ranked among the top 5% of listed companies in "Corporate Governance Evaluation" for the sixth year in a row by the Taiwan Stock Exchange and Taipei Exchange.
April	2020	Honored with the Annual CSR Survey – Telecom Service Industry and Outstanding Solutions – Environmental-friendliness Awards at the 16th CSR Awards organized by <i>Global Views</i> magazine.
March	2020	Obtained ISS ESG's Prime recognition for the third year in a row.
January	2020	Recognized as a Sustainability Leader in S&P Global SAM 2020 Sustainability Yearbook, and received a Silver Class Sustainability Award.
January	2020	Recognized as an A-list climate change enterprise by CDP.
January	2020	Recognized for its Excellent Performance in the Executive Yuan's 2019 National Critical Infrastructure Protection drills, the only telecom company to receive such a distinction.

## Milestones

December	2020	TWM and Riot Games jointly launched MOBA mobile game of the year – "League of Legends: Wild Rift"
November	2020	Hosted its second Circular Economy Forum and gave a keynote report on its waste optic fiber cable value recovery experiment at the Circular Economy Practical Business Cases Forum.
October	2020	Formally launched "myAngel Watch Tech Care Service" online.
September	2020	Released TWM's Brave Dreams 4.0 result with the premiere of the original music video "The Bookstore After 10pm."
August	2020	TWM and NVIDIA teamed up to formally launch the "GeForce NOW Alliance's Taiwan Mobile" cloud gaming platform in Taiwan.
August	2020	TWM and Formosa Plastics Transport joined forces to develop 5G self-driving vehicles for industry and commerce.
June	2020	Announced the start of its 5G service in Taiwan on June 30, and formally began service on July 1; unveiled its new core brand spirit "Open Possible."
June	2020	Daniel M. Tsai was elected as Chairman at the 1st meeting of the ninth Board of Directors. More than 50% of the Board was made up of independent directors.
January	2020	Secured 60MHz of spectrum in the 3.5GHz band and 200MHz in the 28GHz band at the quantity bidding.
November	2019	Invested NT\$600 million (US\$20M) in AppWorks Fund III, which is managed by AppWorks, making it a major investor of this VC fund.

August	2019	Hosted its first Circular Economy Forum, with TWM president Jamie Lin and 14 strategic partners signing a "Circular Economy Cooperation Declaration."
July	2019	2018 TLPGA Taiwan Mobile Ladies Open made the Guinness World Records for "the most holes-in-one in a single tournament."
July	2019	Built a 5G super league with nearly 100 high-tech business operators, making it the largest smart ecosystem in Taiwan.
July	2019	Established the momo TV channel in cooperation with Fubon Group, making it the first 4K TV family channel in Taiwan
January	2019	Launched myAir, a portable PM2.5 detector.
January	2019	President James Jeng retired on March 31. At the 12th meeting, the 8th Board of Directors approved the appointment of Jamie Lin as the president, effective April 1.
January	2019	Showcased "True 5G" equipment" – making it the first in Taiwan to conduct an outdoor field test on the 3.5GHz band in compliance with 3GPP R15 specifications.
September	2018	myVideo collaborated with Kbro to produce its first original drama – "A Taiwanese Tale of Two Cities."
July	2018	TWM built the first Pre-5G smart stadium nationwide, while Kbro launched the first 4K professional baseball live broadcast.
June	2018	Formed a National AI "A Team" with Asustek Computer and Quanta Computer.
March	2018	Collaborated with 50 leading domestic and international companies to build a "Grand IoT Ecosystem."
December	2017	Teamed up with Taipei Fubon Bank to launch the first digital "red envelope" in Taiwan by integrating M+ Messenger and mobile internet banking to provide mobile payment via instant messenger.
November	2017	Received 3 million circuit numbers for IoT use from the National Communications Commission (NCC), thus officially beginning its IoT era.
November	2017	Collaborated with Taipei Fubon Bank and EasyCard Corp to launch a Taiwan Mobile co-branded credit card."
October	2017	TWM and Fubon Group announced their strategic partnership with worldwide entertainment and sports agency Creative Artists Agency (CAA) Hollywood, CAA China and CMC Capital Partners (CMC), China's leading media and entertainment investment and operating platform.
June	2017	Daniel M. Tsai and Richard M. Tsai were elected Chairman and Vice Chairman, respectively, at the 1st meeting of the eighth Board of Directors.
October	2016	Daniel M. Tsai and Richard M. Tsai were elected Chairman and Vice Chairman, respectively, at the 13th meeting of the seventh Board of Directors.
March	2016	Joined the Global e-Sustainability Initiative, making TWM the first Taiwanese and the third Asian firm to become a member.

February	2016	First Taiwanese telecom operator to showcase its SIM Management Platform and Global eSIM application at the Mobile World Congress.
January	2016	Launched mobile payment service Wali.
March	2015	Acquired an additional license for 5MHz x 2 spectrum in the 700MHz band, making TWM the sole operator providing contiguous 20MHz LTE services in Taiwan.
August	2014	Awarded an 1800MHz license and became the first to adopt carrier aggregation in the 700/1800 frequency bands for LTE services.
June	2014	Launched 4G services in the 700MHz band.
June	2014	Richard M. Tsai and Daniel M. Tsai were re-elected Chairman and Vice Chairman, respectively, at the 1st meeting of the seventh Board of Directors.
January	2014	James Jeng was appointed President at the 16th meeting of the sixth Board of Directors.
November	2013	TWM's internet data center (IDC), which received an Uptime Institute Tier III certification for design and construction, began operations.
October	2013	Won two 15MHz x 2 blocks in the 4G auction, one in the 700MHz (spectrum A4) band and another in the 1800MHz (spectrum C1) band.
November	2012	Launched mobile video service myVideo.
May	2012	Launched instant messaging service M+ messenger.
August	2011	Capital reduction of NT\$3.8bn.
June	2011	Richard M. Tsai and Daniel M. Tsai were re-elected Chairman and Vice Chairman, respectively, at the 1st meeting of the sixth Board of Directors.
April	2011	The Board of Directors approved the acquisition of a 51% stake in Fubon Multimedia Technology (also known as momo) for NT\$8.35bn through TWM's 100%-owned subsidiary Wealth Media Technology.
October	2010	Cliff Lai and Vivien Hsu were appointed Co-Presidents at the 17th meeting of the fifth Board of Directors, effective January 1, 2011.
May	2010	TFN Media Co., Ltd. (TFNM), a TWM affiliate, acquired a 45% stake in Taiwan Kuro Times Co., Ltd. TFNM raised its stake to 100% in August 2011.
January	2009	Founded Taipei New Horizon Co., Ltd. (a 49.9% holding) with Fubon Land Development Co., Ltd. to develop a cultural park at the site of the old Songshan tobacco plant under a 50-year BOT contract with the Taipei City Government.
September	2008	TransAsia Telecommunications (TAT) and Mobitai Communications were officially merged into TWM.
June	2008	Richard M. Tsai and Daniel M. Tsai were re-elected Chairman and Vice Chairman, respectively, at the 1st meeting of the fifth Board of Directors.
February	2008	Introduced three new brands – Taiwan Mobile, TWM Broadband and TWM Solution – to provide consumers, households and enterprises with integrated telecom services, including

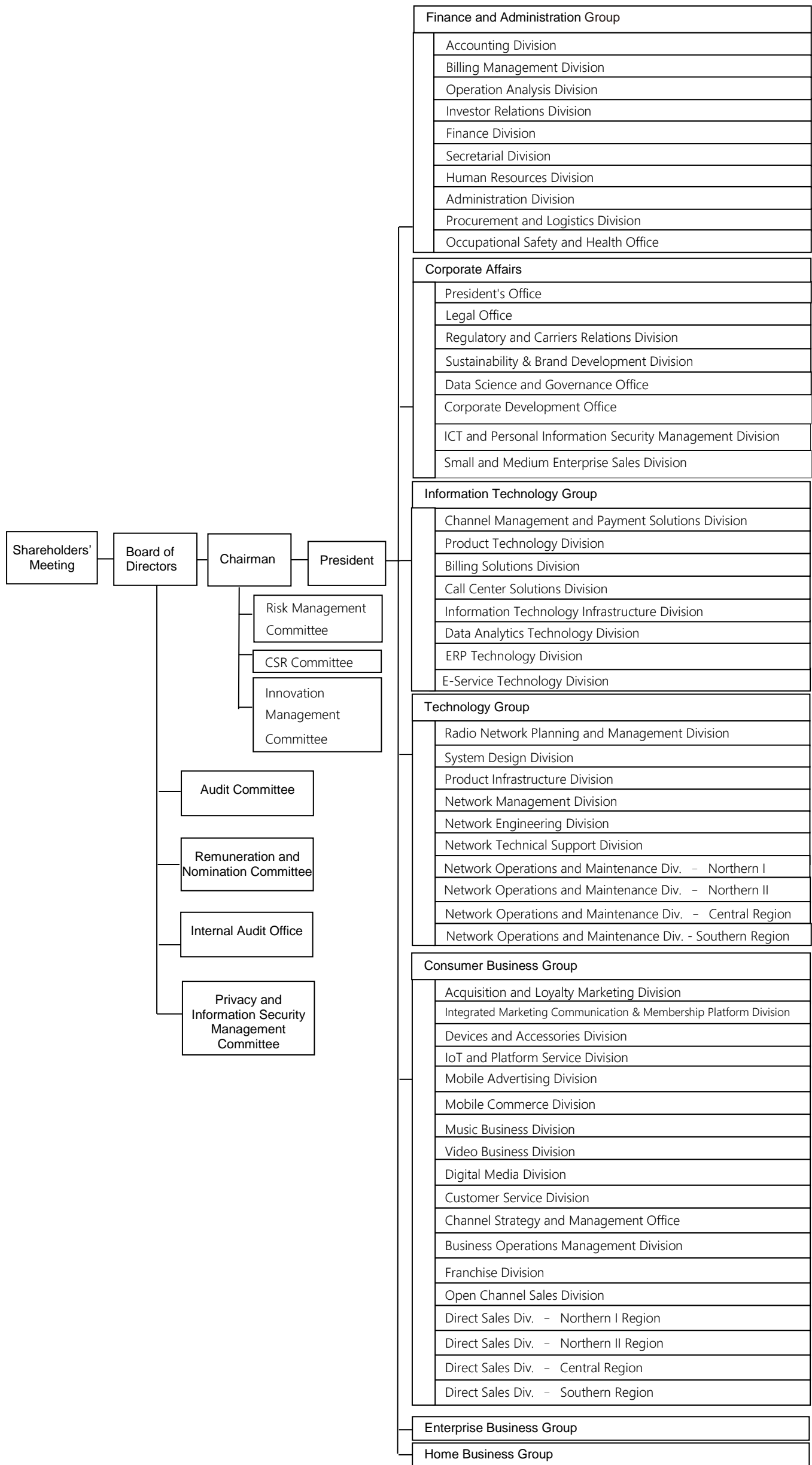
		wireless communication, cable TV and fixed-line services.
December	2007	Company's capital dropped to NT\$38bn after a capital reduction of NT\$12bn.
August	2007	Acquired a 45% stake in Taiwan Telecommunication Network Services Co., Ltd. (TTN). TWM raised its stake to 100% in August 2008 and merged TTN into Taiwan Fixed Network Co., Ltd. (TFN).
April	2007	Acquired an 84% stake in TFN. TWM acquired full ownership of TFN in December 2007.
January	2007	Launched 3.5G (HSDPA) services.
August	2006	Richard M. Tsai and Daniel M. Tsai were re-elected Chairman and Vice Chairman, respectively, at the 10th meeting of the fourth Board of Directors.
June	2005	Daniel M. Tsai and Richard M. Tsai were re-elected Chairman and Vice Chairman, respectively, at the 1st meeting of the fourth Board of Managing Directors.
May	2005	First in Taiwan to launch 3G (WCDMA) services.
November	2004	Joined the Bridge Mobile Alliance, the largest mobile alliance in Asia.
August	2004	Acquired a 67% stake in Mobitai, increasing its subscriber base to 8.2 million. TWM acquired full ownership of Mobitai In January 2006 and merged it into TransAsia Telecommunications in December 2007.
July	2003	Harvey Chang was appointed President and CEO at the 15th meeting of the third Board of Directors.
July	2003	Daniel M. Tsai and Richard M. Tsai were elected Chairman and Vice Chairman, respectively, at the 2nd meeting of the third Board of Managing Directors.
August	2002	Listed on the Taiwan Stock Exchange.
May	2002	C. S. Chen was appointed President at the 2nd meeting of the third Board of Directors.
April	2002	Jack T. Sun and Joseph Lee were re-elected Chairman and Vice Chairman, respectively, at the 1st meeting of the third Board of Directors.
February	2002	Granted a 3G license.
July	2001	Acquired a 95.62% stake in TransAsia Telecommunications (TAT), boosting its subscriber base to 6.42 million. TWM acquired full ownership of TAT in June 2006 and merged it into TWM in September 2008.
November	2000	Ray-Ying Fan was appointed President at the 8th meeting of the second Board of Directors.
September	2000	First private telecom operator to trade on Taiwan's OTC market.
June	1999	Jack T. Sun and Joseph Lee were re-elected Chairman and Vice Chairman, respectively, at the 1st meeting of the second Board of Directors.
January	1998	Started commercial operations.
December	1997	First nationwide private operator to obtain a GSM 1800 network operating license.
February	1997	Company was incorporated.

January	1997	Jack T. Sun and Joseph Lee were elected Chairman and Vice Chairman, respectively, while Lai-Ting Zou was appointed President at the 1st meeting of the 1st Board of Directors.
May	1996	Prepared for the Company's incorporation.

# Chapter 2 Organization and Corporate Governance

## Organization Organization Chart

As of February 26, 2021



## Divisional Scope of Responsibilities

Division		Scope of responsibilities
Internal Audit Office		<p>Audit of the Company and its subsidiaries</p> <p>Handle employee and supplier complaints</p> <p>Risk Management Committee operations</p>
Corporate Affairs	President's Office	<p>Corporate strategic planning and implementation management</p> <p>Develop new businesses and partnerships</p> <p>Facilitate cross-departmental collaboration and improve management mechanism</p> <p>Accelerate digital transformation and sourcing of innovative technologies</p>
	Legal Office	Legal counsel, company litigation and legal document review
	Regulatory and Carriers Relations Division	Regulatory matters, government relations and intercarrier relations
	Sustainability and Brand Development Division	Sustainability and corporate social responsibility, brand management and sponsorships, media communication and public relations, and TWM Foundation
	Data Science and Governance Office	Enhance efficiency and quality of data collection, definition, storage, management and application
	Corporate Development Office	<p>Monitor global economic developments and industry trends and provide insights into corporate development and corporate strategy</p> <p>Lead financial and strategic investments, as well as post-deal integration</p>
	ICT and Personal Information Security Management Division	<p>Promotion of information security and personal data protection</p> <p>Implementation of Cyber Security Management Act</p> <p>Operations of information security maintenance plan</p>
	Small and Medium Enterprise Sales Division	<p>SME information communication and cloud business development and maintenance services, cooperation with the group and channel operation</p> <p>Develop and maintain mobile and household telecommunications services for employee dependents of enterprise users and manage social media platforms</p> <p>Integrate start-up companies' innovative services to further tap into the SME market</p>

<b>Division</b>		<b>Scope of responsibilities</b>
Finance and Administration Group	Accounting Division	Accounting information management Tax planning and compliance Preparation of financial reports
	Billing Management Division	Billing, receivables collection and settlement Credit check and risk management
	Operation Analysis Division	Operating performance analysis, capex/opex cost and benefit analysis, and financial forecasts/annual budget review
	Investor Relations Division	Maintain two-way communication between the Company and investors wherein the Company regularly provides timely disclosure of its operations, financial status, business strategy and future business developments
	Finance Division	Treasury management Monitor investments and subsidiaries' business activities Finance-related project evaluation, planning and execution
	Secretarial Division	Corporate governance affairs, board and shareholders' meetings, and corporate registration affairs Corporate share registrar management Company seal custodian and receipt/transmission of corporate documents
	Human Resources Division	Human resources planning and management Staffing, compensation/benefits and employee relations Employee training and development
	Administration Division	Office machinery and equipment management General and administrative affairs coordination Base station administration affairs
	Procurement and Logistics Division	Procurement policy and system planning Procurement-related activities and contract signing Supplier management
	Occupational Safety and Health Office	Occupational safety and health management Workplace health promotion



Division		Scope of responsibilities
Information Technology Group	Channel Management and Payment Solutions Division	Sales, channel services and commission system solutions Enterprise management information system solutions Payment service solutions
	Product Technology Division	Technical consultation and solution analysis for innovative services and customer premises equipment (CPE) technologies Solutions design, systems development and delivery for innovative services and marketing promotions
	Billing Solutions Division	Billing systems operation and development
	Call Center Solutions Division	Call center infrastructure and operational management solutions Fixed-network IT server operation and management
	Information Technology Infrastructure Division	Data center, systems and network infrastructure construction and operations management Implementation of information security policy
	Data Analytics Technology Division	Data analytics system solutions, including data warehouse, data science and business intelligence solutions System solutions for management of network assets, warehousing, maintenance and repair, and customer relationship management
	ERP Technology Division	Customer care application systems Enterprise resource planning (ERP) and human resources solutions Front-end customer management, sales management, and supply and order solutions for fixed-line business
	E-Service Technology Division	Corporate website, e-service systems (e-store/myfone shopping), member center and fixed-network application systems Gaming website and eSports social media platform, IoT service platform, and cloud services platform development and management IT governance, enterprise architecture, software development process, and basic architecture software/tools development and management
Technology Group	Radio Network Planning and Management Division	Radio network strategy development and planning Site planning and performance management Radio network quality management
	System Design Division	Plan and design core, IP and transmission network systems in mobile and fixed networks Verification and testing of network elements
	Product Infrastructure Division	Design, implement and operate: - Cloud internet data center (IDC) - Cloud computing services: Infrastructure as a Service (IaaS) and Platform as a Service (PaaS) - Technology service infrastructure
	Network Management Division	24-hour supervision of mobile/fixed network management Technical support for customers with network issues Network security management
	Network Engineering Division	Mobile telecom and fixed-network business' infrastructure budget, and engineering and construction project outsourcing Applications for base station co-location, technical approvals and cable/conduit management for government agencies Fixed-network service management, project evaluation and coordination
	Network Technical Support Division	Technical support for mobile, fixed and IP-based networks
	Network Operations and Maintenance Division – Northern I, Northern II, Central and Southern Regions	Mobile and fixed network construction, expansion, operation, maintenance and optimization, including core, transmission and radio networks Network construction management and technical support

Division	Scope of responsibilities
Consumer Business Group	Acquisition and Loyalty Marketing Division Develop and execute strategies to acquire new customers, increase customer loyalty and lower churn rates for postpaid users Develop strategies for prepaid business Conduct customer analysis and market surveys
	Integrated Marketing Communication & Membership Platform Division Develop and manage Taiwan Mobile brand identity and brand strategy Develop and implement store signage and interior design, as well as brand and marketing communications, including above-the-line/below-the-line online, social media, consumer event and store marketing communication activities Manage Company website and e-store to provide users with online services and operate “momo coins” and “smart wallet” platforms
	Devices and Accessories Division Devices planning and management Accessories and revenue sources development Handset sales and distribution
	IoT and Platform Service Division Develop consumer well-being IoT ecosystem by connecting myAir, mySports and myAngel services to capture future opportunities Build market-leading service platforms, including an enterprise instant messenger, a content portal and big data marketing tools
	Mobile Advertising Division Provide mobile advertising solutions based on big data analysis
	Mobile Commerce Division Develop and manage mobile commerce for myfone shopping, with a focus on 3C and Smart Home merchandise
	Music Business Division Oversee myMusic business management, strategic planning, product development, marketing and operations
	Video Business Division Oversee myVideo business management, strategic planning, content and product development, marketing and operations
	Digital Media Division Direct carrier billing service, digital content subscription service and VAS business development and operation Smarter Home business strategy development and business operation Game Publishing, eSports events, and 5G cloud gaming platform operation
	Customer Service Division Customer service and call center management Telemarketing sales and customer retention
	Channel Strategy and Management Office Channel strategy development and performance management Channel sales support, store display design, and in-store activities planning and execution Sales training program planning and service quality management
	Business Operations Management Division Store operating system optimization and standards formulation Channel operation quality assurance to minimize corporate business risk Sales channel resources management and commission/awards calculation
	Franchise Division Supervise franchisees' product promotions, distribution and customer service
	Open Channel Sales Division Open channel development, distribution and management of postpaid/prepaid products
	Direct Sales Division – Northern I, Northern II, Central and Southern Regions Product sales, customer service and project execution at company stores

Division	Scope of responsibilities
Enterprise Business Group	Strategy development and business analysis Direct sales and channel development and customer relationship management Intercarrier relations and international business (including international roaming) planning and implementation
Home Business Group	Implement integrated technology solutions to develop new products and VAS Increase the penetration rate of video and broadband internet and overall revenue Expand two-way optical network to broaden coverage and ensure better internet access quality

## Board of Directors and Executive Management

### Board of Directors

The board of directors, acting on behalf of the Company's shareholders, is charged with the task of supervising the management team. Composed of nine experienced directors, the board includes five independent directors, more than 50% of the board, who are well-known in the business, financial, telecommunications and information technology fields. The Audit Committee, composed entirely of independent directors, replaced board supervisors. Information on the Company's Ninth Board of Directors is detailed below:

As of February 26, 2021

Title	Nationality	Name	Gender	Date Elected	Term expires	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and experience	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C	Fu Chi Investment Co., Ltd. Representative: Daniel M. Tsai	Male	2020.06.18	2023.06.17	1999.06.22 *1999.06.22	5,748,763	0.164	5,748,763 *65,162,715 (Note 2)	0.164 *1.855	4,580,070	0.130	-	-	LLM, Georgetown University LLB, National Taiwan University Chairman, Fubon Financial Holding Co., Ltd. Chairman, Taipei Fubon Commercial Bank Co., Ltd. Chairman, Fubon Insurance Co., Ltd.	Director, Fubon Financial Holding Co., Ltd. Managing Director, Taipei Fubon Commercial Bank Co., Ltd. Chairman, Fubon Bank (Hong Kong) Ltd. Director, Fubon Bank (China) Co., Ltd. Chairman, Fubon Financial Holding Venture Capital Corp. Director, Fubon Sports & Entertainment Co., Ltd. Chairman, Ming Dong Co., Ltd. Chairman, Dao Ying Co., Ltd. Chairman, Tien Chien Co., Ltd. Chairman, Ti Kun Co., Ltd. Chairman, Hsi Po Lai Co., Ltd. Chairman, Yi Fu So Co., Ltd. Chairman, Chung Shing Development Co., Ltd. Chairman, Fubon Realtors Co., Ltd. Director, Fubon Construction Co., Ltd. Chairman, Kuo Chi Investment Co., Ltd. Director, Leading Mark Limited Chairman, Dun Fu Co., Ltd. Director, Lucky Way Ltd. Director, Rainbow Cheer Ltd. Director, Key Gain Ltd. Director, Ultimate Epoch Ltd. Director, Orientland International Ltd. Director, Oceana Glory Ltd. Director, Eagle Legacy Ltd. Director, DRJ Development Ltd. Director, Globotex International Ltd. Director, Cosgrove Global Ltd. Director, Vantage Horizon Global Ltd. Director, Star Top Ventures Co., Ltd. Director, Primerose Development Group Ltd. Director, Giver Concept Ltd. Director, Fame Dynasty Enterprises Limited Director, ABG-WTT Global Life Science Capital Partners GP Limited Chairman, Taiwan Cellular Co., Ltd. Chairman, Wealth Media Technology Co., Ltd. Chairman, Taipei New Horizon Co., Ltd. Chairman, Taiwan Fixed Network Co., Ltd. Director, Taiwan Teleservices & Technologies Co., Ltd. Chairman, TCC Investment Co., Ltd. Director, Taiwan Digital Service Co., Ltd. Chairman, Taihsin Property Insurance Agent Co., Ltd. Chairman, TFN Media Co., Ltd. Director, Win TV Broadcasting Co., Ltd. Chairman, TFN Union Investment Co., Ltd. Chairman, TCCI Investment and Development Co., Ltd. Chairman, TWM Venture Co., Ltd. Supervisor, Tai Yu Industrial Corporation Limited	Director	Richard M. Tsai	Brother	-

Title	Nationality	Name	Gender	Date Elected	Term expires	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and experience	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C	Fu Chi Investment Co., Ltd. Representative: Richard M. Tsai	Male	2020.06.18	2023.06.17	1999.06.22 *1999.06.22	5,748,763	0.164	5,748,763 *93,310,663	0.164 *2.657	5,086,496	0.145	-	-	MBA, Stern School of Business, New York University BBA, National Taiwan University Chairman, Fubon Securities Co., Ltd. Chairman, Taiwan Mobile Co., Ltd	Chairman, Fubon Financial Holding Co., Ltd. Chairman, Fubon Life Insurance Co., Ltd. Vice Chairman, Fubon Bank (Hong Kong) Ltd. Director, Ming Dong Co., Ltd. Director, Dao Ying Co., Ltd. Director, Tien Chien Co., Ltd. Director, Ti Kun Co., Ltd. Director, Hsi Po Lai Co., Ltd. Director, Yi Fu So Co., Ltd. Director, Chung Shing Development Co., Ltd. Director, Fubon Realtors Co., Ltd. Director, Fubon Construction Co., Ltd. Director, Kuo Chi Investment Co., Ltd. Director, Cho Pharma, Inc. Director, International Advisory Board of the New York Philharmonic Director, Carnegie Hall Corp. Director, Lucky Way Ltd. Director, Rainbow Cheer Ltd. Director, Key Gain Ltd. Director, Ultimate Epoch Ltd. Director, Orientland International Ltd. Director, Oceana Glory Ltd. Director, Eagle Legacy Ltd. Director, DRJ Development Ltd. Director, Globotex International Ltd. Director, Cosgrove Global Ltd. Director, Vantage Horizon Global Ltd. Director, Total Formation Inc. Director, Star Top Ventures Co., Ltd. Director, Castle Lion Investments Ltd. Director, Penny Lane Investment Ltd. Director, Fame Dynasty Enterprises Ltd. Director, ABG-WTT Global Life Science Capital Partners GP Ltd. Director, Taiwan Fixed Network Co., Ltd. Director, TCC Investment Co., Ltd. Director, TFN Union Investment Co., Ltd. Director, TCCI Investment and Development Co., Ltd. Director, TWM Venture Co., Ltd.	Chairman Director	Daniel M. Tsai Chris Tsai	Brother Son	—

Title	Nationality	Name	Gender	Date Elected	Term expires	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and experience	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C	Fu Chi Investment Co., Ltd. Representative: Chris Tsai	Male	2020.06.18	2023.06.17	1999.06.22 *2019.05.01	5,748,763	0.164	5,748,763 *3,130,427	0.164 *0.089	-	-	-	-	Bachelor of Science in Economics, Wharton School of the University of Pennsylvania Special Assistant of Chief Investment Officer, Fubon Financial Holding Co., Ltd. US Equity Analyst, JPMorgan Chase & Co. of New York Fund Management Analyst, JPMorgan Chase & Co. of New York	Deputy CIO & EVP, Fubon Financial Holding Co., Ltd. Director and President, Fubon Financial Holding Venture Capital Corp. Chairman, Fubon Sports & Entertainment Co., Ltd. Chairman, Fubon Stadium Co., Ltd. Director, momo.com Inc. Director, Fubon Land Development Co., Ltd. Director, Taiwan Professional Basketball Development Co., Ltd. Vice Chairman, Shenzhen Tengfu Investment Co., Ltd. Director, Immanuel Investment Ltd. Director, Taipei New Horizon Co., Ltd. Director, Penny Lane Investment Limited Director, Wise Road Asset Management Ltd. Director, Eternal Hope Limited Director, One Hope Limited Supervisor, Levi Industrial Corporation Limited Supervisor, Mo Xi Industrial Corporation Limited	Director	Richard M. Tsai	Father	-
Director	R.O.C	TCC Investment Co., Ltd. Representative: Jamie Lin (Note 3)	Male	2020.06.18	2023.06.17	2009.09.19 *2018.06.12	200,496,761	5.713	200,496,761 *100,000	5.708 *0.003	-	-	-	-	MBA, NYU Stern School of Business BS in Chemical Engineering with a minor in Economics, National Taiwan University Co-founder/VP of Products, Social Sauce Co-founder/GM of Great China, Intumit	President, Taiwan Mobile Co., Ltd. Chairman, AppWorks Ventures Chairman, AppWorks Fund I Chairman, AppWorks Fund II Chairman, AppWorks Fund III Chairman, Chen Feng Investment Chairman, Chen Yun Co., Ltd. Chairman, Chen Men Ltd. Director, AppWorks Ventures II Limited Director, AppWorks Ventures III Limited Director, Winbond Electronics Corporation Director, 91APP, Inc. Director, Dcard Holdings Ltd. Director, EZTable, Ltd. Director, LINE Bank Taiwan Limited Director, Bridge Mobile Pte Ltd. Director and President, Taiwan Cellular Co., Ltd. President, TWM Venture Co., Ltd. Director and President, Wealth Media Technology Co., Ltd. Director, Taipei New Horizon Co., Ltd. President, Taiwan Fixed Network Co., Ltd. Chairman, Taiwan Teleservices & Technologies Co., Ltd. President, TCC Investment Co., Ltd. Chairman, Taiwan Digital Service Co., Ltd. Director, Taihsin Property Insurance Agent Co., Ltd. Director and President, TFN Media Co., Ltd. Chairman and President, Global Forest Media Technology Co., Ltd. Chairman and President, Global Wealth Media Technology Co., Ltd. Chairman, Win TV Broadcasting Co., Ltd. Director, momo.com Inc. President, TFN Union Investment Co., Ltd.	-	-	-	-

Title	Nationality	Name	Gender	Date Elected	Term expires	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and experience	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
															President, TCCI Investment and Development Co., Ltd. Chairman, Taiwan Kuro Times Co., Ltd. Chairman, Yeong Jia Leh Cable TV Co., Ltd. Chairman, Phoenix Cable TV Co., Ltd. Chairman, Union Cable TV Co., Ltd. Chairman, Globalview Cable TV Co., Ltd.					
Independent Director	R.O.C	Hsueh-Jen Sung	Male	2020.06.18	2023.06.17	2014.06.12	-	-	-	-	-	-	-	-	MBA, Harvard University MBA, National Chengchi University BS in Management Science, National Chiao Tung University Vice Chairman and Member of Global Partnership Committee and Asian Management Committee, Goldman Sachs (Asia) Ltd. President and CEO, Grand Cathay Securities Corp. Country Manager, Westpac Banking Corp.	Chairman of Audit Committee and Member of Remuneration and Nomination Committee, Taiwan Mobile Co., Ltd. Chairman, Vacluse Capital Management Ltd. Chairman, Shin Chiuan Capital Management Ltd.	-	-	-	-
Independent Director	R.O.C	Char-Dir Chung	Male	2020.06.18	2023.06.17	2017.06.14	-	-	-	-	-	-	-	-	PhD and MS in Electrical Engineering, University of Southern California BS in Electrical Engineering, National Taiwan University Minister without Portfolio, Executive Yuan Member / Deputy Convener / Executive Secretary, Board of Science and Technology, Executive Yuan Member / Deputy Convener / Executive Secretary, National Information and Communications Initiative Committee, Executive Yuan Deputy Executive Secretary, Science and Technology Advisory Group, Executive Yuan	Chairman of Remuneration and Nomination Committee and Member of Audit Committee, Taiwan Mobile Co., Ltd. Distinguished Professor, Department of Electrical Engineering and Graduate Institute of Communication Engineering, National Taiwan University	-	-	-	-

Title	Nationality	Name	Gender	Date Elected	Term expires	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and experience	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
														Convener, Performance Evaluation Committee of Technology Development Program, Ministry of Economic Affairs SIS Chair Professor, National Taiwan University IEEE Fellow Chairman, Department of Communication Engineering, National Central University Director, Graduate Institute of Communication Engineering, National Central University						
Independent Director	R.O.C	Hsi-Peng Lu	Male	2020.06.18	2023.06.17	2019.06.12	-	-	-	-	-	-	-	-	Ph.D. in Industrial Engineering, University of Wisconsin Madison Dean, Management School, National Taiwan University of Science and Technology Dean, Honor College, National Taiwan University of Science and Technology Dean, Student Affairs Office, National Taiwan University of Science and Technology Chair, Department of Information Management, National Taiwan University of Science and Technology	Member of Audit Committee and Remuneration and Nomination Committee, Taiwan Mobile Co., Ltd. Professor, Department of Information Management, National Taiwan University of Science and Technology, ROC Independent Director, Yuen Foong Yu Investment Holding Co., Ltd. Independent Director, Shui-Mu International Co., Ltd. Independent Director, 91APP Inc.	-	-	-	-
Independent Director	SG	Tong Hai Tan	Male	2020.06.18	2023.06.17	2020.06.18	-	-	-	-	-	-	-	-	Bachelor of Electrical Engineering National University of Singapore President & CEO, StarHub Pte Ltd.(Singapore) President & CEO, Singapore Computer Systems Ltd. President & CEO, Pacific Internet Ltd	Executive Director, SEAX Global Pte Ltd. (Singapore)	-	-	-	-



Title	Nationality	Name	Gender	Date Elected	Term expires	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education and experience	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	U.S.	Drina Yue	Female	2020.06.18	2023.06.17	2020.06.18	-	-	-	-	-	-	-	-	BS in Electrical Engineering, MS in computer Science, University of Illinois Urbana-Champaign Gemalto Independent Board of Director President of Western Union Asia Managing Director of Motorola Asia Home and Networks GSMA Asia Senior Advisor Brambles & CHEP Asia Advisory Board Member CEO of iSteelAsia	Christian Action Asia Board of Director	-	-	-	-

\*The individual representative's date of first elected, personal shareholdings, and percentage of personal shareholdings

Note 1: Zero shareholdings are denoted as "-".

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

Note 3: Jamie Lin was as an independent director from June 12, 2018 to February 11, 2019.

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

As of February 26, 2021

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

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

As of February 26, 2021

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

## 3. Qualifications and independence criteria of directors

As of February 26, 2021

Name	With work experience of more than 5 years and the following professional qualifications			Independence criteria (Note)												No. of public companies in which he or she also serves as an independent director
	An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to company operations at a public or private junior college, college, university	A judge, public prosecutor, attorney certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a specialty needed for company operations.	Having work experience in the area of commerce, low, finance, or accounting, or other experience needed for company operations	1	2	3	4	5	6	7	8	9	10	11	12	
Daniel M. Tsai			V	V					V		V	V		V		0
Richard M. Tsai			V	V					V		V	V		V		0
Chris Tsai			V	V		V		V		V	V		V		0	
Jamie Lin			V			V	V		V		V	V	V	V		0
Hsueh-Jen Sung			V	V	V	V	V	V	V	V	V	V	V	V	V	0
Char-Dir Chung	V		V	V	V	V	V	V	V	V	V	V	V	V	V	0
Hsi-Peng Lu	V		V	V	V	V	V	V	V	V	V	V	V	V	V	2
Tong Hai Tan			V	V	V	V	V	V	V	V	V	V	V	V	V	0
Drina Yue			V	V	V	V	V	V	V	V	V	V	V	V	V	0

"V" denotes meeting the conditions specified above

- Criterion 1: Not an employee of the Company or its affiliates
- Criterion 2: Not a director or supervisor of the Company or its affiliates (unless the person is an independent director of the Company, the Company's parent company or any subsidiary of the Company)
- Criterion 3: Not a shareholder whose total holdings, including those of his/her spouse and minor children, or shares held under others' names, reach or exceed 1 percent of the total outstanding shares of the Company or rank among the top 10 individual shareholders
- Criterion 4: Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a manager under subparagraph 1 or any of the persons in the preceding two subparagraphs.
- Criterion 5: Neither a director, supervisor, or employee of an entity that directly and/or indirectly holds more than 5% of the Company's shares, nor one of the Company's top five shareholders, or director, supervisor or employee of a corporate shareholder who appoints a representative as a director or supervisor of the Company in accordance with Article 27, paragraph 1 or 2 of the Company Act
- Criterion 6: Not a director, supervisor, or employee of a company in which the majority of board seats or voting shares is controlled by a person who also controls the same of the company

- Criterion 7: Not a director, supervisor, or employee of a company or institution in which the chairman, president (or equivalent) himself/herself or his/her spouse also serves as the company's chairman, president (or equivalent)
- Criterion 8: Not a director, supervisor, manager, or shareholder owning more than 5% of the outstanding shares of any company that has financial or business relations with the Company
- Criterion 9: Not a professional, owner, partner, director or supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past two years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- Criterion 10: Not a spouse or relative within second degree by affinity to other directors
- Criterion 11: Not in contravention of Article 30 of the Company Act
- Criterion 12: Not an institutional shareholder or its representative pursuant to Article 27 of the Company Act

#### 4. Diversified board of directors

- TWM's "Corporate Governance Best Practice Principles" call for the creation of a diversified board of directors. The composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of board members, and that an appropriate policy on diversity based on the company's business operations, operating dynamics and development needs shall be formulated and include, without being limited to, the following two guidelines:
  - Basic requirements: Gender, age, nationality and culture
  - Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing and technology), professional skills and industry experience
- All members of the board should have the knowledge, skills and experience necessary to perform their duties. To achieve the goals of corporate governance, board directors should possess the following abilities:
  - Make operating decisions
  - Perform accounting and financial analysis
  - Run and manage a business
  - Conduct crisis management
  - Industry knowledge
  - A global market perspective
  - Leadership skills
  - Make policy decisions

Board members	Communication industry experience (Years)	Tenure of directors/independent directors (Years)	Top five core competencies									
			Finance	Law	Business	Technology	Investment and M&A	FinTech	Information Technology	Risk Management	CEO/Senior management	Consumer Discretionary (E-commerce/Marketing)
Daniel M. Tsai	22	22	V	V	V			V			V	
Richard M. Tsai	22	22	V		V		V	V			V	
Chris Tsai	2	2	V		V			V			V	V
Jamie Lin	6	3	V		V	V	V					V
Hsueh-Jen Sung	7	7	V		V		V	V			V	
Char-Dir Chung	32	4				V			V	V	V	V
Hsi-Peng Lu	4	2				V		V	V		V	V
Tong Hai Tan	11	1			V	V			V	V	V	
Drina Yue	31	1			V	V			V		V	V

- Female Director: 11.11%
- Age of Directors: 22.22% between 30-50 years old, 77.78% above 50 years old.
- Nationality: R.O.C. 77.78%, Singapore 11.11%, U.S. 11.11%

## Management Team

As of February 26, 2021

Title / Division	Name	Effective date	Shareholding / %	Spouse's/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
President	Jamie Lin	2019.04.01	100,000	0.003	MBA, NYU Stern School of Business BS in Chemical Engineering with a minor in Economics, National Taiwan University Co-founder/VP of Products, Social Sauce Co-founder/GM of Great China, Intumit	Director, Taiwan Mobile Co., Ltd. Chairman, AppWorks Ventures Chairman, AppWorks Fund I Chairman, AppWorks Fund II Chairman, AppWorks Fund III Chairman, Chen Feng Investment Chairman, Chen Yun Co., Ltd. Chairman, Chen Men Ltd. Director, AppWorks Ventures II Limited Director, AppWorks Ventures III Limited Director, Winbond Electronics Corporation Director, 91APP, Inc. Director, Dcard Holdings Ltd. Director, EZTable, Ltd. Director, LINE Bank Taiwan Limited Director, Bridge Mobile Pte Ltd. Director and President, Taiwan Cellular Co., Ltd. President, TWM Venture Co., Ltd. Director and President, Wealth Media Technology Co., Ltd. Director, Taipei New Horizon Co., Ltd. President, Taiwan Fixed Network Co., Ltd. Chairman, Taiwan Teleservices & Technologies Co., Ltd. President, TCC Investment Co., Ltd. Chairman, Taiwan Digital Service Co., Ltd. Director, Taihsin Property Insurance Agent Co., Ltd. Director and President, TFN Media Co., Ltd. Chairman and President, Global Forest Media Technology Co., Ltd. Chairman and President, Global Wealth Media Technology Co., Ltd. Chairman, Win TV Broadcasting Co., Ltd.	—	—	—

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

Title / Division	Name	Effective date	Shareholding / %	Spouse's/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Vice President / Finance and Administration Group	Jay Hong	2004.05.06	–	–	EMBA, National Sun Yat-sen University President, Taiwan Teleservices & Technologies Co., Ltd. Vice President, Direct Store Division, Taiwan Mobile Co., Ltd. Vice President, Customer Service Division, TransAsia Telecommunications Inc. Director, Procurement Division, TransAsia Telecommunications Inc.	Supervisor, Yeong Jia Leh Cable TV Co., Ltd. Supervisor, Phoenix Cable TV Co., Ltd. Supervisor, Union Cable TV Co., Ltd. Supervisor, Globalview Cable TV Co., Ltd.	–	–	–
Vice President / Finance and Administration Group	Shirley Chu	2019.07.01	–	–	MBA, Fuqua School, Duke University BA Economics, National Taiwan University Director, Equity Research, UBS Analyst, Equity Research, Credit Lyonnais Securities (Asia)	None	–	–	–
Vice President / Finance and Administration Group	Joan Hung	2019.07.01	–	–	MS in HRD, Georgia State University Senior Director of Human Resources and Administration, Taiwan Mobile Co., Ltd. Senior Manager of Human Resources, Mobitai Communications Co., Ltd. Assistant Manager, Tsannkuen Co., Ltd.	None	–	–	–

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

Title / Division	Name	Effective date	Shareholding / %	Spouse's/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Vice President / Corporate Affairs	C.H. Wu	2016.09.26	–	–	MS in Electrical and Computer Engineering, University of Rochester BS in Electrical Engineering, National Taiwan University Vice President, Applied Computing Group, Advantech Co., Ltd. General Manager, Taiwan, Symantec Corp. General Manager, Taiwan, Cisco Systems, Inc. System Engineer/Sales Manager, IBM Corp.	Officer-in-charge, System Integration Branch Office, Taiwan Mobile Co., Ltd. Chief Business Officer, Taiwan Fixed Network Co., Ltd. Director, Taihsin Property Insurance Agent Co., Ltd. Chairman and President, Tai-Fu Cloud Technology Co., Ltd. Director, TWM Communications (Beijing) Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Union Cable TV Co., Ltd. Director, Globalview Cable TV Co., Ltd.	–	–	–
Vice President/ Corporate Affairs	Tim Lee	2020.03.09	–	–	MBA, University of Pennsylvania-The Wharton School VP, Government of Singapore Investment Corp. (GIC) Associate, ABN AMRO Research Executive, ACNielsen	None	–	–	–
Vice President and Chief Information Officer / Information Technology Group	James Chang	2017.01.25	163,084/0.005	–	MS in Computer Science, University of Illinois at Chicago Director, AT&T Laboratories Senior Director, TBCommerce Network Corp. Senior Delivery Manager, IBM Global Services District Manager, AT&T Laboratories	Director, TWM Communications (Beijing) Co., Ltd.	–	–	–



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

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

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

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

Shares held by the management team through the ESOT program are listed as follows: Jamie Lin - 1,224 shares, Rosie Yu - 3,933 shares, James Chang - 7,982 shares, Eddie Chan - 3,021 shares, Steve Chou - 6,399 shares, Jay Hong - 13,241 shares, Joan Hung - 5,539 shares, Tim Lee - 470 shares, Daphne Lee - 4,160 shares, Michael Teng - 13,241 shares, David Lin - 57 shares, Iris Liu - 1,718 shares.

# Compensation to Directors and Management Executives

## 1. Directors' compensation

Unit: NT\$

Title	Name	Representative	Directors' compensation								A+B+C+D as a % of net profit		Compensation as an employee								A+B+C+D+E+F+G as a % of net profit		Compensation from investees other than subsidiaries		
			Cash compensation (A)		Pension (B)		Director's remuneration (C)		Professional fee (D)				Performance-based salary (E)		Retirement pay of employees (F)		Earnings paid as bonus to employees (G)								
			Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone		Consolidated			Stand-alone	Consolidated
																			Cash	Stock	Cash	Stock			
Chairman	Fu-Chi Investment Co., Ltd.	Daniel M. Tsai	39,185,028	39,665,028	-	-	17,439,588	17,439,588	4,630,645	4,951,645	0.5427%	0.5498%	16,862,476	16,862,476	-	-	5,382,500	-	5,382,500	-	0.7398%	0.7469%	5,233,428		
Director	Fu-Chi Investment Co., Ltd.	Richard M. Tsai																							
Director	Fu-Chi Investment Co., Ltd.	Chris Tsai																							
Director	TCC Investment Co., Ltd.	Jamie Lin																							
Director	TCC Investment Co., Ltd.	Howard Lin (Mr. Lin completed his tenure on June 18, 2020)																							
Independent Director	Hsueh-Jen Sung																								
Independent Director	Char-Dir Chung																								
Independent Director	Hsi-Peng Lu																								
Independent Director	Tong Hai Tan (Mr. Tan was elected on June 18, 2020)		-	-	-	-	21,647,306	21,647,306	1,980,000	1,980,000	0.2093%	0.2093%	-	-	-	-	-	-	-	-	0.2093%	0.2093%	-		
Independent Director	Drina Yue (Ms. Yue was elected on June 18, 2020)																								
Independent Director	Jack. J. T. Huang (Mr. Huang was resigned on June 18, 2020)																								

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

Note 2: The figures in the table include expenses for company cars and gasoline reimbursement, but do not include compensation paid to company drivers, which totaled NT\$787,945.

Note 3: In addition to the above table, remuneration paid to directors for their services to all consolidated entities (such as consultants who are not employees) totaled NT\$9,053,334.

## 2. Range of compensation to directors

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

### 3. Management executives' compensation

Unit: NT\$

<b>Title and name</b>	President, Jamie Lin; Executive Vice President and Chief Financial Officer, Rosie Yu; Senior Vice President and Chief Technology Officer, Tom Koh; Vice President and Chief Information Officer, James Chang; Vice President and Chief Data Officer, Eddie Chan; Vice President, C.H. Wu; Vice President, Steve Chou; Vice President, Jay Hong; Vice President, Shirley Chu; Vice President, Joan Hung; Vice President, Tim Lee; Vice President, Daphne Lee; Vice President, Michael Teng; Vice President, David Lin; Vice President, Naomi Lee; Vice President, Iris Liu <u>Resigned managers:</u> Vice President and General Counsel, Ariel Hwang	Total	
<b>Salary (A)</b>	Stand-alone	80,523,936	
	Consolidated	80,883,936	
<b>Pension (B) *</b>	Stand-alone	1,617,600	
	Consolidated	1,617,600	
<b>Performance-based salary (C)</b>	Stand-alone	44,324,145	
	Consolidated	44,629,849	
<b>Earnings paid as bonus to employees (D)</b>	Stand-alone	Cash	30,312,000
		Stock	—
	Consolidated	Cash	30,312,000
		Stock	—
<b>A+B+C+D as a % of net profit</b>	Stand-alone	1.3891%	
	Consolidated	1.3950%	
<b>Compensation from investees other than subsidiaries</b>		5,263,428	

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

Note: Figures do not include compensation paid to company drivers, which totaled NT\$2,297,649.

### 4. Range of compensation to management executives

Range of compensation to management executives	Name of management executives	
	On a stand-alone basis	On a consolidated basis
NT\$0–NT\$999,999	—	—
NT\$1,000,000–NT\$1,999,999	—	—
NT\$2,000,000–NT\$3,499,999	—	—
NT\$3,500,000–NT\$4,999,999	Ariel Hwang	Ariel Hwang
NT\$5,000,000–NT\$9,999,999	James Chang, Eddie Chan, C.H. Wu, Steve Chou, Jay Hong, Shirley Chu, Joan Hung, Daphne Lee, Michael Teng, David Lin, Naomi Lee, Iris Liu	James Chang, Eddie Chan, C.H. Wu, Steve Chou, Jay Hong, Shirley Chu, Joan Hung, Daphne Lee, Michael Teng, David Lin, Naomi Lee, Iris Liu
NT\$10,000,000–NT\$14,999,999	Tom Koh, Tim Lee	Tom Koh, Tim Lee
NT\$15,000,000–NT\$29,999,999	Jamie Lin, Rosie Yu	Jamie Lin, Rosie Yu
NT\$30,000,000–NT\$49,999,999	—	—
NT\$50,000,000–NT\$99,999,999	—	—
NT\$100,000,000 and above	—	—
Total	17	17

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

## 5. Compensation mix of management executives

Title and name	Salary and pension	Performance-based salary	Earnings paid as bonus to employees
President, Jamie Lin	41.5%	34.3%	24.2%
Executive Vice President and Chief Financial Officer, Rosie Yu	49.2%	25.4%	25.4%
Senior Vice President and Chief Technology Officer, Tom Koh	48.8%	27.2%	24.0%
Vice President and Chief Information Officer, James Chang	57.0%	24.9%	18.1%
Vice President and Chief Data Officer, Eddie Chan	55.9%	26.4%	17.7%
Vice President, C.H. Wu	57.8%	23.9%	18.3%
Vice President, Steve Chou	50.5%	26.8%	22.7%
Vice President, Jay Hong	52.9%	23.4%	23.7%
Vice President, Shirley Chu	55.9%	26.1%	18.0%
Vice President, Joan Hung	50.9%	25.8%	23.3%
Vice President, Tim Lee	54.8%	45.2%	0.0%
Vice President, Daphne Lee	49.0%	29.4%	21.6%
Vice President, Michael Teng	51.1%	27.9%	21.0%
Vice President, David Lin	50.1%	29.0%	20.9%
Vice President, Naomi Lee	51.8%	25.9%	22.3%
Vice President, Iris Liu	56.2%	27.5%	16.3%
Vice President and General Counsel, Ariel Hwang*	98.1%	1.9%	0.0%

\* Resigned

## 6. Employee profit sharing paid to management executives

Unit: NT\$

Title and name	Stock bonus	Cash bonus	Total	As a % of net profit
President, Jamie Lin Executive Vice President and Chief Financial Officer, Rosie Yu Senior Vice President and Chief Technology Officer, Tom Koh Vice President and Chief Information Officer, James Chang Vice President and Chief Data Officer, Eddie Chan Vice President, C.H. Wu Vice President, Steve Chou Vice President, Jay Hong Vice President, Shirley Chu Vice President, Joan Hung Vice President, Tim Lee Vice President, Daphne Lee Vice President, Michael Teng Vice President, David Lin Vice President, Naomi Lee Vice President, Iris Liu	-	30,312,000	30,312,000	0.2686%

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

### 1. Directors' compensation

Unit: NT\$

Type	Year	Directors' compensation	Net income	As a % of net income
On a stand-alone basis	2019	114,809,634	12,481,166,870	0.9198%
	2020	107,127,543	11,286,553,218	0.9492%
On a consolidated basis	2019	116,816,384	12,481,166,870	0.9359%
	2020	113,161,971	11,286,553,218	1.0026%

### Guiding principles for compensation of directors

#### Remuneration policies, standards and package

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

### Procedures for setting remuneration

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

### Performance factor

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

## 2. Compensation of management executives

Unit: NT\$

Type	Year	Compensation of management executives	Net profit	As a % of net profit
On a stand-alone basis	2019	160,161,066	12,481,166,870	1.2832%
	2020	156,777,681	11,286,553,218	1.3891%
On a consolidated basis	2019	161,806,695	12,481,166,870	1.2964%
	2020	162,706,813	11,286,553,218	1.4416%

### Guiding principles for compensation of management executives

#### Remuneration policies, standards and package

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

#### Procedures for setting performance bonuses

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

#### Performance factor

- (1) Variable compensations in the form of employee profit sharing and performance-based bonuses account for approximately 50% of the remuneration and are determined based on the president's or vice president's contribution to the Company's operations. The Company shall review the compensation mechanism periodically, taking future operating risks, environmental conservation and corporate social responsibility into consideration. To strengthen the link between corporate social responsibility and managers' compensation, if the president or vice president fails to meet all CSR metrics, his/her annual performance ranking may drop by one level, or his/her employee profit sharing and performance-based bonuses may be cut by up to 10%.
- (2) The Human Resources Division is tasked with preparing the annual compensation for the president and vice presidents, and submitting a report to the Remuneration and Nomination Committee.



## Corporate Governance

### Board of Directors attendance

The Board of Directors convened nine meetings in 2020

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Chairman	Fu Chi Investment Co., Ltd. Representative: Daniel M. Tsai	9	0	100%	None
Director	Fu Chi Investment Co., Ltd. Representative: Richard M. Tsai	8	0	89%	None
Director	Fu Chi Investment Co., Ltd. Representative: Chris Tsai	8	1	89%	None
Director	TCC Investment Co., Ltd. Representative: Jamie Lin	9	0	100%	None
Independent Director	Hsueh-Jen Sung	9	0	100%	None
Independent Director	Char-Dir Chung	9	0	100%	None
Independent Director	Hsi-Peng Lu	9	0	100%	None
Independent Director	Tong Hai Tan	4	0	100%	Tong Hai Tan, who was elected on June 18, 2020, was required to attend four board meetings.
Independent Director	Drina Yue	4	0	100%	Drina Yue, who was elected on June 18, 2020, was required to attend four board meetings.
Director	TCC Investment Co., Ltd. Representative: Howard Lin	4	1	80%	Howard Lin, who completed his tenure on June 18, 2020, was required to attend five board meetings.
Independent Director	Jack J.T. Huang	5	0	100%	Jack J.T. Huang, who completed his tenure on June 18, 2020, was required to attend five board meetings.

Note: Attendance by all independent directors reached 100% in 2020.

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

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

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

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

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

Date	Name of directors	Proposal	Reasons for recusal	Participation in deliberation
2020.1.21	Daniel M. Tsai Richard M. Tsai Jamie Lin	2019 performance evaluation and proposed year-end bonuses for chairman, vice chairman and managers by the Remuneration and Nomination Committee	Daniel M. Tsai and Jamie Lin: Personal interest Richard M. Tsai: Interested party	All three were excluded from the deliberations
	Daniel M. Tsai Richard M. Tsai Howard Lin Chris Tsai	Acquisition or disposal of right-of-use assets	Interested party	All four were excluded from the deliberations
2020.4.30	Daniel M. Tsai Richard M. Tsai Hsueh-Jen Sung Hsi-Peng Lu Christ Tsai Jamie Lin	Removal of non-competition restrictions for the 9 <sup>th</sup> newly-elected board members	Personal interest	All six were excluded from the deliberations
2020.6.18	Char-Dir Chung	Signed an Industrial-Academia Collaboration Agreement and Academic Rewards Contract with National Taiwan University	Personal interest	Mr. Chung was excluded from the deliberations
2020.8.4	Hsi-Peng Lu	Signed an Industry-Academia Collaboration Agreement and Academic Rewards Contract with National Taiwan University of Science and Technology	Personal interest	Mr. Lu was excluded from the deliberations
	Jamie Lin	Distribution of 2019 bonus and adjustment of 2020 remuneration for the Company's managers and audit supervisor	Personal interest	Mr. Lin was excluded from the deliberations
	Daniel M. Tsai Richard M. Tsai	Distribution of 2019 bonuses and adjustment of 2020 remuneration for the Company's chairman	Daniel M. Tsai: Personal interest Richard M. Tsai: Interested party	Messrs. Tsai were excluded from the deliberations
	Daniel M. Tsai Richard M. Tsai Chris Tsai	Acquisition or disposal of right-of-use assets	Interested party	All three were excluded from the deliberations
2020.11.6	Daniel M. Tsai Richard M. Tsai Chris Tsai	Acquisition or disposal of right-of-use assets	Interested party	All three were excluded from the deliberations

### 3. Information regarding the implementation of the evaluation of the BoD and functional committees

Cycle	Period	Scope	Method	Content
Once a year	January 1, 2020 to December 31, 2020	Performance evaluation of the board as a whole, individual directors, and functional committees	Self-evaluation by individual directors	<ol style="list-style-type: none"> <li>1. Evaluation of the performance of the board of directors               <ol style="list-style-type: none"> <li>(1) Participation in the operation of the company</li> <li>(2) Improvement in decision-making quality</li> <li>(3) Composition and structure of the board</li> <li>(4) Election and continuing education of directors</li> <li>(5) Internal controls</li> <li>(6) Participation in corporate social responsibility</li> </ol> </li> <li>2. Self-evaluation by individual directors               <ol style="list-style-type: none"> <li>(1) Alignment with the goals and missions of the company</li> <li>(2) Awareness of the duties of a director</li> <li>(3) Participation in the operation of the company</li> <li>(4) Management of internal relationships and communication</li> <li>(5) Professionalism and continuing education of directors</li> <li>(6) Internal control.</li> </ol> </li> <li>3. Self-evaluation by Functional Committees:               <ol style="list-style-type: none"> <li>(1) Participation in the operation of the company</li> <li>(2) Awareness of the duties of the functional committee</li> <li>(3) Improvement in quality of decision-making</li> <li>(4) Election and composition of the functional committee</li> <li>(5) Internal controls</li> </ol> </li> </ol>
Every three years	March 1, 2020 to February 28, 2021	Commissioning of an external professional institution to conduct an overall evaluation of the board's performance	Commissioned the Taiwan Corporate Governance Association to conduct the evaluation	Evaluation of the performance of the board , including its composition, guidance, delegation, supervision, communication, internal controls and risk management, self-discipline and other matters, e.g. board meetings and support systems

### 4. Other BoD objectives:

- (1) Training programs for directors: Aside from encouraging directors to attend outside seminars, the Company holds annual in-house seminars to facilitate interactions between lecturers and directors. The total number of training hours was 75 in 2020, which included programs such as “Corporate management and strategies for handling a media crisis.”
- (2) Information transparency: Committed to upholding operational transparency and protecting shareholders’ interests, the Company regularly discloses resolutions by the Board of Directors in a timely and consistent manner. In addition, the Company holds institutional investor conferences on a quarterly basis and has set up Chinese/English sections for Investor Relations and Corporate Social Responsibility on its official website.
- (3) Liability insurance: The Company provides its directors and managers with annual liability insurance to cover risks as they carry out their duties, and reviews the insurance coverage on an annual basis to make sure the amount and scope are sufficient to the need.
- (4) The Chairman of the Board of Directors is not a member of the Company’s management team to ensure a system of checks and balances.
- (5) The Audit Committee and the Remuneration and Nomination Committee, composed entirely of independent directors, assist the Board of Directors in carrying out supervisory tasks. The chairperson of each committee reports on their committee’s operations to the board on a regular basis.
- (6) The Company passed the Rules and Procedures on Evaluating Performance of the Board and Functional Committees to enhance efficiency, under which the Remuneration and Nomination Committee conducts an analysis and submits a report on proposed improvements to the board after annual performance evaluation. Board members completed an evaluation assessment in 2021.
- (7) To strengthen corporate governance and enhance the board’s functions, the Board of Directors passed a proposal that independent directors should comprise at least 40% of the board, and that the Remuneration and Nomination Committee should be in charge of identifying and nominating competent candidates.

## Audit Committee attendance

The Audit Committee is responsible for reviewing the following:

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

### 1. The Audit Committee convened eight times in 2020.

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Hsueh-Jen Sung	8	0	100%	Appointed committee chairman
Independent Director	Char-Dir Chung	8	0	100%	None
Independent Director	Hsi-Peng Lu	8	0	100%	None
Independent Director	Tong Hai Tan	4	0	100%	Mr. Tan, who was elected on June 18, 2020, was required to attend four committee meetings.
Independent Director	Drina Yue	4	0	100%	Ms. Yue, who was elected on June 18, 2020, was required to attend four committee meetings.
Independent Director	Jack J.T. Huang	4	0	100%	Mr. Huang, who completed his tenure on June 18, 2020, was required to attend four committee meetings.

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

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

Date	BoD	Proposals and reports	Audit Committee's opinion	Company's response
January 21, 2020	17th meeting of the eighth BoD	4Q19 internal audit report	Approved as proposed	Approved as proposed
		2019 internal control statement		
		Revisions to the Internal Control System		
		2020 capital expenditure plan and donation to TWM Foundation		
		Issuance of unsecured straight corporate bonds		
February 21, 2020	18th meeting of the eighth BoD	2019 business report and financial statements	Approved as proposed	Approved as proposed
		Mobile Broadband(5G) Spectrum Bidding Results		
		2020 additional capex expenditures		
April 30, 2020	20th meeting of the eighth BoD	1Q20 financial statements	Approved as proposed	Approved as proposed
		1Q20 internal audit report		
		2019 earnings distribution & cash return from capital surplus		
		Appointment of CPA		
		Revisions to the Audit Committee Charter		

Date	BoD	Proposals and reports	Audit Committee's opinion	Company's response
		Acquisition or disposal of right-of-use of assets		
		Removal of non-competition restrictions on members of the ninth BOD		
June 9, 2020	21th meeting of the eighth BoD	3-year mobile broadband equipment procurement	Approved as proposed	Approved as proposed
June 18, 2020	1st meeting of the ninth BoD	Compensation contracts with members of the ninth BOD	Approved as proposed	Approved as proposed
		Sign up Industrial-Academic Collaboration Agreement and Academic Rewards Agreement with National Taiwan University		
August 4, 2020	2nd meeting of the ninth BoD	2Q20 financial statements	Approved as proposed	Approved as proposed
		2Q20 internal audit report		
		Resolved to participate in the new shares issuance of TWM VENTURE CO., LTD.,(TWMV) a 100%-owned subsidiary		
		Acquisition or disposal of right-of-use asset		
		Sign up Cooperative Education / Internship Agreement and Academic Rewards Agreement with National Taiwan University of Science and Technology		
September 1, 2020	3rd meeting of the ninth BoD	Capex budget additions in 2020	Approved as proposed	Approved as proposed
		Acquisition or disposal of right-of-use assets		
November 6, 2020	4th meeting of the ninth BoD	3Q20 financial statements	Approved as proposed	Approved as proposed
		3Q20 internal audit report		
		Internal audit plan for 2021		
		Acquisition or disposal of right-of-use assets		

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

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

Date	Name	Proposal	Reason for recusal	Participation in Deliberation
April 29, 2020	Hsueh-Jen Sung Hsi-Peng Lu	Removal of non-competition restrictions on members of the ninth BOD	Personal interest	Messrs. Sung and Lu did not join the deliberations
June 18, 2020	Char-Dir Chung	Sign up Industrial-Academic Collaboration Agreement and Academic Rewards Agreement with National Taiwan University	Personal interest	Mr. Chung did not join the deliberations
August 3, 2020	Hsi-Peng Lu	Sign up Industrial-Academic Collaboration Agreement and Academic Rewards Agreement with National Taipei University of Technology	Personal interest	Mr. Lu did not join the deliberations

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

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

Date	Internal Audit Officers		CPAs	
	Subject matter	Results	Subject	Results
January 20, 2020 15th meeting of the fourth Audit Committee	1. 4Q19 internal audit report 2. 2019 internal control statement 3. Revision of the internal control system	1. Acknowledged 2. Reviewed and submitted to BoD for approval 3. Reviewed and submitted to BoD for approval	-	-
February 21, 2020 16th meeting of the fourth Audit Committee	-	-	1. 2019 financial statements, explanations of key audit matters and computer audit Results. 2. CPAs discussed inquiries raised by attendees	Acknowledged
April 29, 2020 17th meeting of the fourth Audit Committee	1Q20 internal audit report	Acknowledged	1. 1Q20 financial statements, amendments to regulations on recognition of legal reserves and taxes on undistributed earnings 2. How to survive and continue to operate without interruption during a pandemic 3. CPAs discussed inquiries raised by attendees	Acknowledged
August 3, 2020 2nd meeting of the fifth Audit Committee	2Q20 internal audit report	Acknowledged	1. 2Q20 financial statements , Q&A on Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies 2. Responsible investment and ESG ratings 3. CPAs discussed inquiries raised by attendees	Acknowledged
November 5, 2020 4th meeting of the fifth Audit Committee	1. 3Q20 internal audit report 2. Revision of the risk management policy 3. Internal audit plan for 2021	1. Acknowledged 2. Reviewed and submitted to BoD for approval 3. Reviewed and submitted to BoD for approval	1. 3Q20 financial statements, communication of key audit matters and annual audit procedure 2. CPAs discussed inquiries raised by attendees	Acknowledged

## Corporate governance practices

Item		Current practice
Has the Company established principles based on the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?		The Company has established said Corporate Governance Best Practice Principles and published them on the Company's official website and market observation post system (MOPS).
Shareholding structure and shareholders' interests	Handling of shareholders' suggestions and disputes	The Corporate Governance Best Practice Principles includes a chapter on upholding shareholders' interests. The spokesperson or Secretarial Division handles all non-legal issues; the Legal Division handles all legal issues.
	Identification of major shareholders and investors with controlling interests	The Secretarial Division submits a monthly report listing the shareholdings of directors, managers and major shareholders (over 10% shareholding) to the authorities.
	Risk control mechanisms and firewalls between the Company and its subsidiaries	The Company's internal control system set up the Rules and Procedures on Conducting Transactions between Group Companies and Related Parties and the Rules and Procedures on Monitoring Subsidiaries as risk control mechanisms.
	Prohibitions on insider trading	The Company has established Rules and Procedures on Handling Internal Material Information, which are given to employees when they start work. The Company also provides guidelines on handling and processing internal material information and corporate ethics to ensure that employees and directors are familiar with and comply with said regulations.
Board of directors and its responsibilities	Board diversity and execution	Diversity of board members is stipulated in the Company's Rules for Election of Directors and fully implemented.
	Establishing a Remuneration and Nomination Committee and an Audit Committee in accordance with the law and voluntarily setting up other functional committees	The Company has also established Privacy and Information Security Management Committee, Risk Management Committee, CSR Committee and Innovation Management Committee to enhance various functions.
	Board performance evaluation	The Company passed the Rules and Procedures on Evaluating Performance of the Board and Functional Committees to enhance efficiency, under which the Remuneration and Nomination Committee conducts an analysis and submits a report on proposed improvements to the board after annual performance evaluation and uses it as a reference for remuneration and re-appointment. The Performance Evaluation of the board was completed through self-assessments by board members, which covered evaluations of the performance of the board, board members and functional committees. Both the board and committees performed well, with an average score higher than 4.9, with 5 being the highest score. In addition, the external evaluation is currently under the assessment by Taiwan Corporate Governance Association.
	Periodic review of CPA's independence	The Audit Committee is authorized to evaluate the independence of the CPAs according to the "Bulletin of Norm of Professional Ethics for Certified Public Accountants of the Republic of China" and "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" on an annual basis based on the following criteria and procedures:

Item	Current practice
	<ol style="list-style-type: none"> <li>1. The CPAs' resumes.</li> <li>2. The CPAs neither serve as a director/supervisor/ manager nor hold a position with major influence in the Company or its subsidiaries, and they have no interests that conflict with the Company's.</li> <li>3. The CPAs have not served as auditors for the Company for seven consecutive years.</li> <li>4. The CPAs should provide the Company with a Declaration of Independence on a quarterly basis.</li> <li>5. The CPAs have not provided non-audit services to the Company which might affect their independence.</li> <li>6. The CPAs are not involved in any significant lawsuit or litigation, and have never been censured by any regulatory body.</li> <li>7. The scale and reputation of the CPA firm.</li> <li>8. Effective interaction with management and internal audit officer.</li> </ol> <p>The supervisors in the finance and other divisions of the Company and its subsidiaries had evaluated the independence of the CPAs in the past two years and reported the results to the Board after approving by the Audit Committee on January 20, 2020 and January 25, 2021 respectively.</p>
<p>Has the company set up a full/part time unit or personnel and appointed a Chief Corporate Governance officer in charge of handling corporate governance-related matters – including but not limited to providing information for board directors to carry out their duties, preparing board and shareholders' meetings, handling company registration and any changes therein, and preparing board and shareholders' meeting minutes?</p>	<p>The Secretarial Division is headed by the EVP/CFO, Chief Corporate Governance officer, who has more than 10 years' experience managing publicly listed companies' financial and stock affairs, as well as meeting procedures. The division head attended the following training programs in 2020:</p> <ol style="list-style-type: none"> <li>1. Corporate governance managers' perspective and board of directors' operational view (Taiwan Corporate Governance Association, 3hr)</li> <li>2. Shareholder meeting planning and case analysis. (Taiwan Corporate Governance Association, 3hr)</li> <li>3. The dispute of managerial control from the perspective of corporate governance (Taiwan Corporate Governance Association, 3hr)</li> <li>4. Industry 4.0 and how enterprises lead to innovative transformation(Taiwan Corporate Governance Association, 3hr)</li> </ol> <p>The division provided the following:</p> <ol style="list-style-type: none"> <li>1. Assisted directors in assuming their positions, furnished them with information required for business execution, and held seminars to facilitate interaction between lecturers and directors.</li> <li>2. Purchased annual liability insurance for directors.</li> <li>3. Prepared board of directors' and shareholders' meetings, and handled company registration and any changes therein.</li> </ol>



Item		Current practice
Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers) and set up a stakeholders' section on the Company's website to respond to critical corporate social responsibility issues?		Sections on investor relations, procurement and CSR have been set up on the Company's official website and integrated into one comprehensive stakeholders' section. Special personnel have been assigned to handle CSR-related issues.
Has the Company outsourced its AGM management?		The Company has engaged the Transfer Agency and Registry Department of Fubon Securities Co., Ltd. to manage its annual general meeting.
Information disclosure	Disclosure of information on financial status, operations and corporate governance	Disclosure of financial-related and corporate governance information is posted periodically on the Company's website.
	Other ways of disclosing information	Aside from having a spokesperson, the Company has a dedicated department, the Investor Relations Division, to handle information disclosure. It also has an English website and a team working on gathering and releasing relevant Company information.
	Has the Company published and reported its annual financial report within two months after the end of a fiscal year, and published and reported its financial reports for the first, second and third quarters, as well as its operating status for each month, before the specified deadline?	In 2020, the Company published and reported its annual financial report within two months after the end of the fiscal year. It published and reported its first, second and third quarter reports before deadline, as well as its operating status ahead of the target date.

## Additional information

### 1. Employee rights

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

### 2. Employee care

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

### 3. Investor relations

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

### 4. Supplier relations

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

### 5. Stakeholders' rights

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

### 6. Training programs for directors in 2020

Training program	Organization	Date	Hours	Participant(s)
Key technologies and market applications of 5G and IoT	Taiwan Corporate Governance Association	2020.02.14	3	Hsi-Peng Lu
Augmented reality technology and smart manufacturing	Taiwan Corporate Governance Association	2020.04.23	3	Jamie Lin
Corporate Governance Lecture-Global Anti-Tax Avoidance Wave and Corporate Response	Taiwan Academy of Banking and Finance	2020.04.28	3	Hsueh-Jen Sung
Corporate governance and corporate financial information transparency	Taiwan Securities Association	2020.07.08	3	Char-Dir Chung
Investigation of "Cash Flow" of Fraudulent Financial Statements and Discussion of Related Legal Liability Cases	Accounting Research and Development Foundation	2020.07.17	3	Tong Hai Tan, Drina Yue
Enhancing the self-editing ability of financial reports: internal control, internal audit and information technology	Accounting Research and Development Foundation	2020.07.28	3	Tong Hai Tan, Drina Yue
The impact of IFRS17 on the business strategy of the insurance industry	Taiwan Insurance Institute	2020.08.14	3	Richard M. Tsai
Common corporate governance deficiencies in enterprises and analysis of related laws and regulations	Accounting Research and Development Foundation	2020.08.20	3	Tong Hai Tan, Drina Yue
Information security governance for forward-looking financial institution: business challenges and effective investment strategies	Independent Director Association Taiwan	2020.09.04	3	Daniel M. Tsai, Richard M. Tsai, Chris Tsai,
Dispute of managerial control and case analysis	Taiwan Corporate Governance Association	2020.09.08	3	Char-Dir Chung
Enterprise Analysis on "evaluation report" – a practical analysis.	Accounting Research and Development Foundation	2020.09.09	3	Tong Hai Tan

Training program	Organization	Date	Hours	Participant(s)
Corporate Governance Lecture	Taiwan Academy of Banking and Finance	2020.09.29	3	Daniel M. Tsai
Corporate management and strategies of media crisis.	Taiwan Corporate Governance Association	2020.11.20	3	Daniel M. Tsai, Richard M. Tsai, Chris Tsai, Jamie Lin, Hsueh-Jen Sung, Hsi-Peng Lu, Tong Hai Tan, Drina Yue

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

## 7. Corporate governance related training programs and succession plan for management in 2020

At the end of every year, the Company develops a training plan for the following year in accordance with enterprise development strategies, a survey of training needs and interviews with each group's senior executives. Training courses for senior executives are closely aligned with corporate strategies and global business trends. In 2020, the Company arranged training courses covering topics such as "Corporate governance managers' perspective and board of directors' operational view," "Management dispute from the perspective of corporate governance," "Trade secrets and corporate governance," "AIoT and IloT trends" and "The innovative experience of Google".

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

In line with this plan, the Company recruited Mr. Tim Lee as Vice President and head of Corporate Development Office to monitor global economic developments and industry trends, provide insights into corporate development and corporate strategy, and lead financial strategic investments, as well as post-deal integration.

Training program	Organizer	Date	Hours	Participants
Corporate governance managers' perspective and board of directors' operational view	Taiwan Corporate Governance Association	2020.02.07	3	Rosie Yu
Shareholder meeting planning and case analysis	Taiwan Corporate Governance Association	2020.03.06	3	Rosie Yu
Management dispute from the perspective of corporate governance	Taiwan Corporate Governance Association	2020.03.17	3	Rosie Yu
5G spectrum bidding results	In-house training	2020.03.19	2	Eddie Chan, Jay Hong, Naomi Lee, Steve Chou, Daphne Lee, Joan Hung
Industry 4.0 and how enterprises lead to innovative transformation	Taiwan Corporate Governance Association	2020.03.27	3	Rosie Yu
Augmented reality technology and smart manufacturing	Taiwan Corporate Governance Association	2020.04.23	3	Jamie Lin

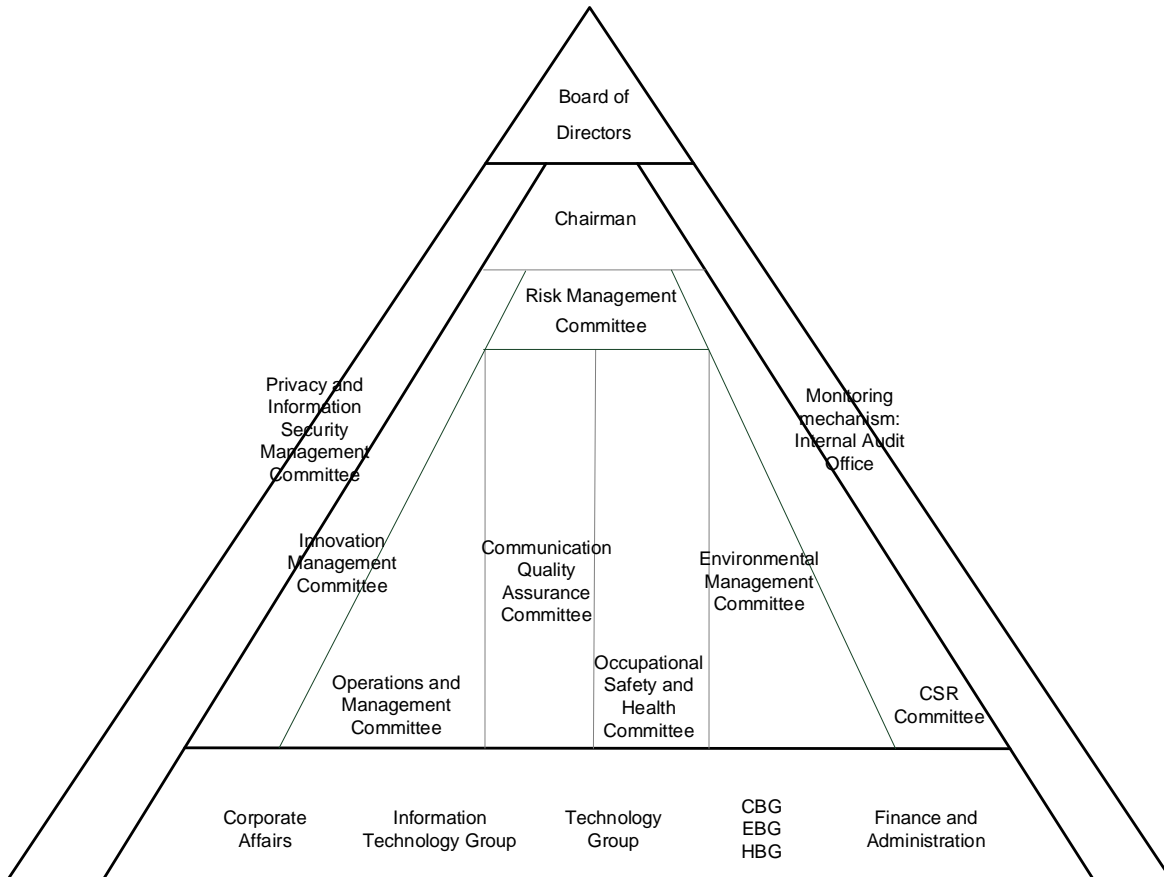
<b>Training program</b>	<b>Organizer</b>	<b>Date</b>	<b>Hours</b>	<b>Participants</b>
Trade secrets protection and non-competition	Taiwan Corporate Governance Association	2020.05.22	3	Joan Hung
AIoT and IIoT trends	In-house training	2020.07.10	2	James Chang, Iris Liu, Naomi Lee, C.H. Wu, Daphne Lee, David Lin, Shirley Chu, Joan Hung, Tim Lee
Trade secrets and corporate governance	Taiwan Corporate Governance Association	2020.08.18	3	Joan Hung
The innovative experience of Google	In-house training	2020.08.21	2	James Chang, Jay Hong, Naomi Lee, Steve Chou, Daphne Lee, David Lin, Michael Teng, Shirley Chu, Joan Hung, Tim Lee
Forum on enterprise circular economy application	In-house training	2020.11.09	3	Tom Koh, Jay Hong, Iris Liu
Corporate management and strategies of media crisis	Taiwan Corporate Governance Association	2020.11.20	3	Jamie Lin
Corporate governance summit 2020	Taiwan Corporate Governance Association	2020.12.02	4	Shirley Chu

## 8. Risk management

### Risk management policies

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

### Risk management structure



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

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

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

## Risk management scope

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

## Emerging risk

TWM has identified significant risks through the ERM framework, as well as an assessment of emerging risk factors, including level of impact, risk response strategies, and the appropriate level of risk at which opportunities should be explored to promote business development.

Two important emerging risks were identified:

1. Climate change/natural disasters:

Intensifying storms could lead to greater equipment damage, and demand for air-conditioning for telecommunication facilities is growing, driving up electricity consumption, as periods of excessively high temperatures are prolonged. Both factors could result in higher operating costs. Furthermore, labor costs could rise as employees would have to put in extra hours to rebuild after a natural disaster. Extreme weather would also give way to unstable power and water supply, which could lead to interruptions in operations. We have employed the Task Force on Climate-related Financial Disclosures (TCFD) framework to measure the financial impact of climate risks. The total loss due to typhoons in 2019-2030 is estimated to hit NT\$58 million. In response, the Company has introduced high temperature/moisture resistant equipment, reinforced training in emergency recovery after major disasters, and installed more back-up power generators at base stations located in natural disaster hotspots.

2. Telecommunication technology innovations:

In addition to mass deployment of 5G, 3G and 4G still need to be maintained, significantly increasing the power consumption of base stations. In response, the Company deploy more energy-efficient base stations, adopt more aggressive network power-saving solutions, and plan spectrum refarming, equipment consolidation and elimination in advance.

## 9. Implementation of customer policy

With customer service as a core value, the Company is continuously striving to improve its products, services and operations to create the best user experience, win clients' trust and improve customer value.

## 10. Liability insurance for board directors

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

## 11. Employee certifications relating to information transparency

Certification	Number of Employees		
	Internal Audit Office	Corporate Affairs	Finance and Administration Group
Certified Public Accountant (CPA)			9
Certified Internal Auditor (CIA)	4	1	2
Certification in Control Self-Assessment (CCSA)	1		
Certified Information Systems Auditor (CISA)	2		
Chartered Financial Analyst (CFA)		1	
Corporate Governance basic skills			3
Stock affairs specialist (Securities and Futures Institute)			5
Bond specialist (Securities and Futures Institute)			2
ISO20000/ISO22301/ISO27001/ISO27701/ISO29100/ISO9001/BS10012/BS25999/BS7799 Lead Auditor	10	21	10

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

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



## Remuneration and Nomination Committee operations

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

- (1) Establishing a policy, system, standard and structure for directors' and managers' compensation and reviewing them periodically.
- (2) Deciding the compensation of directors and managers and carrying out periodic evaluations.
- (3) Selecting, assessing and nominating candidates for directorships.

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

Identity	Name	With work experience of more than 5 years and the following professional qualifications			Independence criteria (Note)										No. of public companies in which he or she also serves as a member of the Remuneration and Nomination Committee		
		An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to company operations at a public or private junior college, college, university	A judge, public prosecutor, attorney certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a specialty needed for company operations.	Having work experience in the area of commerce, law, finance, or accounting, or other experience needed for company operations	1	2	3	4	5	6	7	8	9	10			
Independent Director	Char-Dir Chung	V		V	V	V	V	V	V	V	V	V	V	V	V	V	0
Independent Director	Hsueh-Jen Sung			V	V	V	V	V	V	V	V	V	V	V	V	V	0
Independent Director	Hsi-Peng Lu	V		V	V	V	V	V	V	V	V	V	V	V	V	V	2
Independent Director	Tong Hai Tan			V	V	V	V	V	V	V	V	V	V	V	V	V	0
Independent Director	Drina Yue			V	V	V	V	V	V	V	V	V	V	V	V	V	0

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

- Criterion 1: Not an employee of the Company or its affiliates
- Criterion 2: Not a director or supervisor of the Company or the Company's affiliates (unless the person is an independent director of the Company, the Company's parent company or any subsidiary of the Company)
- Criterion 3: Not a shareholder whose total holdings, including those of his/her spouse and minor children, or shares held under others' names, reach or exceed 1 percent of the total outstanding shares of the Company or rank among the top 10 individual shareholders
- Criterion 4: Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a manager under subparagraph 1 or any of the persons in the preceding two subparagraphs
- Criterion 5: Neither a director, supervisor, or employee of an entity that directly and/or indirectly holds more than 5% of the Company's shares, nor one of the Company's top five shareholders, director, supervisor or employee of a corporate shareholder who appoints a representative as a director or supervisor of the Company in accordance with Article 27, paragraph 1 or 2 of the Company Act
- Criterion 6: Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a person that also controls the same of the company.
- Criterion 7: Not a director, supervisor, or employee of a company or institution of which the chairman, president (or equivalent) himself/herself or his/her spouse also serves as the company's chairman, president (or equivalent)
- Criterion 8: Not a director, supervisor, manager, or shareholder owning more than 5% of the outstanding shares of any company that has financial or business relations with the Company
- Criterion 9: Not a professional, owner, partner, director or supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past two years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- Criterion 10: Not in contravention of Article 30 of the Company Act.

## Remuneration and Nomination Committee attendance

- (1) The Remuneration and Nomination Committee consists of five members.
- (2) Tenure of the Fourth Remuneration and Nomination Committee: June 18, 2020 to June 17, 2023. The committee convened four times in 2020:

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Char-Dir Chung	4	0	100%	None
Independent Director	Hsueh-Jen Sung	4	0	100%	None
Independent Director	Hsi-Peng Lu	4	0	100%	None
Independent Director	Tong Hai Tan	1	0	100%	Mr. Tan, who was elected on June 18, 2020, was required to attend one committee meeting.
Independent Director	Drina Yue	1	0	100%	Ms. Yue, who was elected on June 18, 2020, was required to attend one committee meeting.
Independent Director	Jack. J. T. Huang	3	0	100%	Mr. Huang, who resigned on June 18, 2020, was required to attend three committee meeting.

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

## Meetings of Remuneration and Nomination Committee

Date	R&N Committee Meeting	Agenda	R&N Committee's Opinion	Company Response
2020.1.21	8th meeting of the third R&N Committee	Overview of a joint-venture plan for middle and senior management	Approved as proposed	Approved by the BoD
		Results of a 2019 performance evaluation of managers/head of internal audit, and year-end bonus distribution	Approved as proposed	Approved by the BoD
		2019 year-end bonus of the Chairman	Approved as proposed	Approved by the BoD
2020.2.21	9th meeting of the third R&N Committee	BoD remuneration policy report	Approved as proposed	Approved by the BoD
		2019 remuneration distribution plan for BoD	Approved as proposed	Approved by the BoD
		Severance pay proposal for manager	Approved as proposed	Approved by the BoD

Date	R&N Committee Meeting	Agenda	R&N Committee's Opinion	Company Response
2020.4.30	10th meeting of the third R&N Committee	Report on the results of a 2019 performance evaluation of the BoD and functional committees	Approved as proposed	Approved by the BoD
		BoD remuneration policy report	Approved as proposed	Approved by the BoD
		Recommendation of a candidate for director of the 9th BoD	Approved as proposed	Approved by the BoD
		Revision of Remuneration and Nomination Committee Charter	Approved as proposed	Approved by the BoD
		Appointment of a manager	Approved as proposed	Approved by the BoD
2020.8.4	1st meeting of the fourth R&N Committee	Recommendation of a convener for the 4th Remuneration and Nomination Committee	Approved as proposed	Approved by the BoD
		2019 employee profit sharing distribution plan and 2020 salary adjustment proposal for managers/head of internal audit	Approved as proposed	Approved by the BoD
		2019 annual compensation and 2020 salary adjustment proposal for the Chairman	Approved as proposed	Approved by the BoD

## Corporate social responsibility (CSR)

Item	Current Practices
<p><b>Corporate governance</b></p> <p>1. Applying the materiality principle to identify material environmental, social and corporate governance (ESG) topics, and setting corresponding policies or strategies</p> <p>2. Setting up a unit to carry out corporate social responsibility (CSR) policy or system</p>	<p>1. A total of 23 topics concerning sustainability were selected by applying the materiality principle. Specifically, we prioritized topics that were more important to the Company's operations, concerned stakeholders more, and in which the Company had a high impact on society. We also considered topics that the Company would manage internally in an autonomous manner. Accordingly, a total of seven key topics were identified in 2020. We conducted an impact analysis of these key topics to explore how we should respond and set strategic targets in accordance with the Company's risk management policies, as well as continue to track the progress of implementing these targets.</p> <p>2. The Company established the Sustainability and Corporate Citizenship Department under the Sustainability and Brand Development Division to draft and carry out CSR initiatives. The department provides planning, execution and coordination across different divisions. The Corporate Social Responsibility Committee was established in 2014, with the Company chairman and president serving as committee chairman and vice chairman, respectively. The committee reports to the board on a quarterly basis.</p>

Item	Current Practices
<p><b>Environmental sustainability</b></p> <ol style="list-style-type: none"> <li>1. Establishing an environmental management system in line with the nature of the Company's business operations</li> <li>2. Promoting advanced and efficient use of renewable resources to reduce their impact on the environment</li> <li>3. Evaluating climate change risks and opportunities to the Company and taking action</li> </ol>	<ol style="list-style-type: none"> <li>1. The Environmental Management Committee was set up in 2016 and tasked with developing environmental policies and objectives, as well as integrating the administration of ISO14001 environmental management, ISO14064-1 greenhouse gas inventories, ISO50001 energy management, and smart energy conservation. Various tasks are carried out by separate teams, and their progress is reported to the Environmental Management Committee.</li> <li>2. The Company's "Circular Economy Cooperation Declaration" was announced in 2019, and in 2020 we transformed recycled waste fiber optic cables into bespoke furniture, including coffee tables, chairs and bricks. We are also assessing the possibility of substituting rebar stirrups with optical fiber waste. We have continuously worked to improve the efficient use of resources, including paper, water, electricity and oil, as well as to promote reduction and recycling of domestic and electronic waste (cables, batteries and cellphones).</li> <li>3. The Task Force on Climate-related Financial Disclosures framework was introduced at the end of 2018.</li> </ol> <p><b>Governance</b> The identification and management of climate change risks and opportunities are handled by the Environmental Management Committee, and the climate and environmental risk issues are reported to the Risk Management Committee on a regular basis in accordance with the Company's risk management system, and then relevant mitigation and adaptation projects are assessed and approved by the Risk Management Committee. In addition, the Risk Management Committee reports the Company's risks (including climate risks) to the Board of Directors on a regular basis, allowing the board to understand and monitor the risks faced by the Company.</p> <p><b>Risk Management</b> A total of 12 major climate risks were identified, four of which belonged to high-risk impacts on operations, namely increased frequency and severity of typhoons/hurricanes, increased costs of greenhouse gas emissions, increase in demand and regulations relating to sustainability, and increase in the cost of transformation to low-carbon technology.</p> <p><b>Financial Impact Assessment</b> An impact assessment on two of risks selected from the four high climate risks was conducted to fully evaluate their financial impact on the Company. (1) Increased frequency and severity of typhoons/hurricanes: Total losses due to typhoons in 2019-2030 are estimated to reach up to NT\$58 million. (2) Increase in the cost of transformation to low-carbon technology: Investment is estimated to reach NT\$2.05 billion in 2019-2030.</p> <p><b>Strategic Objectives</b> Based on the results of a financial impact assessment, five core strategies were set: (1) Green energy installation for self-use (2) Green energy consumption through substitute transmission (3) Green energy investment (4) Smart energy conservation in telecommunication facilities and base stations (5) Climate-related financial disclosures</p>

Item	Current Practices																						
<p>4. Statistics on GHG emissions, water consumption and waste, and formulation of environmental sustainability policies</p>	<p>4. The Company's Environmental and Energy Policy comprises four main aspects: compliance with environmental protection regulations, green purchasing for ecological balance, sustainability through recycling of resources, and energy conservation and carbon reduction.</p> <p>Statistics on GHG emissions, water consumption and waste for 2019-2020 are detailed below:</p> <table border="1" data-bbox="687 450 1355 790"> <thead> <tr> <th colspan="2">Category</th> <th>2019</th> <th>2020*</th> </tr> </thead> <tbody> <tr> <td rowspan="3">GHG emissions (ton-CO<sub>2</sub>e)</td> <td>Scopes 1+2 location based</td> <td>236,119.53</td> <td>240,705.32</td> </tr> <tr> <td>Scopes 1+2 market based</td> <td>235,938.84</td> <td>240,705.32</td> </tr> <tr> <td>Scope 3</td> <td>399,079.71</td> <td>425,337.05</td> </tr> <tr> <td colspan="2">Water consumption (m<sup>3</sup>)</td> <td>299,237</td> <td>303,060</td> </tr> <tr> <td colspan="2">Waste landfilled (tons)</td> <td>17.70</td> <td>23.94</td> </tr> </tbody> </table> <p>*The increase in GHG emissions was due to the deployment of 5G infrastructure and the expansion of our internet data center business, while regular replacement of fiber optic cables led to the rise in our waste landfilled. In response, we have been pursuing ways to minimize our impact on the environment by actively saving energy, cutting down carbon emissions and assessing the potential reuse of optical fiber waste.</p> <p>** Changes in the scope and calculation of waste management was approved during the 28<sup>th</sup> CSR committee meeting and 2019 waste landfilled was revised accordingly.</p>	Category		2019	2020*	GHG emissions (ton-CO <sub>2</sub> e)	Scopes 1+2 location based	236,119.53	240,705.32	Scopes 1+2 market based	235,938.84	240,705.32	Scope 3	399,079.71	425,337.05	Water consumption (m <sup>3</sup> )		299,237	303,060	Waste landfilled (tons)		17.70	23.94
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Item	Current Practices
<p><b>Commitment to corporate social responsibility</b></p> <ol style="list-style-type: none"> <li>1. Complying with domestic and international labor laws to safeguard and uphold the rights of workers, following a non-discriminatory hiring policy, and establishing appropriate management practices, procedures and execution</li> <li>2. Establishing reasonable employee benefits measures (such as remuneration and leave policy) and linking company performance to employee compensation</li> <li>3. Providing employees with a safe and healthy working environment, as well as regular training on safety and health education</li> <li>4. Developing individual training plans for career development</li> <li>5. Complying with relevant regulations and international standards on marketing and labeling of products and services</li> </ol>	<ol style="list-style-type: none"> <li>1. Pursuant to related national regulations, including the Labor Standards Act, the Employment Services Act, the Gender Equality in Employment Act and the International Bill of Human Rights, the Company has never employed child workers, discriminated against any employee or ethnic group, or forced its employees to work.</li> <li>2. The Company offers a well-rounded benefits package. Our Employee Welfare Committee is responsible for planning and implementing various benefits, including general benefits, free group insurance coverage for employees and their spouses, an employee stock ownership trust, high subsidies for phone bills and purchase discounts for Company products. The Company offers maternity leave, sick leave and bereavement leave that surpass requirements stipulated in Taiwan's labor law. Moreover, the company provides paid volunteer leave, flexible work hours, and work-from-home as an option.  Year-end bonuses and employee-profit sharing plans are set based on the Company's performance. The Company's compensation policy is to reward employees commensurate with their performance. Evaluation meetings are held at the end of the year for supervisors and staff to discuss their performance over the past year and set objectives for the following year, including core functions and corporate social responsibility. Performance is graded based on employees' fulfillment of annual objectives and accordingly rewarded with bonuses and/or salary increases.</li> <li>3. The Company aims to provide a safe and healthy working environment for employees and has implemented measures to promote employee health and mental well-being. It also conducts periodic evaluations of the working environment and programs on promoting workers' safety and health education. Related information on employee safety and health is posted on the Company's intranet.</li> <li>4. The Company conducts a survey of employees' career development plans and supervisors provide feedback to all employees. Based on individual key job achievements, career interests, strengths and weaknesses, supervisors help their staff draw up individual development plans during the annual performance review to give them systematic guidance on enhancing their skills and abilities for career development.</li> <li>5. TWM's mobile base stations were constructed in accordance with relevant laws and regulations, and passed base station electromagnetic checks by the National Communications Commission, having fully complied with the International Commission on Non-Ionizing Radiation Protection standards.</li> </ol>

Item	Current Practices
<p>6. Establishing a policy on supplier management, requiring suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, and labor rights</p>	<p>6. TWM believes that ethics serves as the moral foundation of a well-managed enterprise. To promote a fair and just system, the Company set up an open procurement system to select suppliers, and required that all suppliers comply with the “Environmental and Occupational Health and Safety Policy for Contractors” and “Guidelines on Corporate Social Responsibility for Suppliers.” Should a supplier break its social responsibility and adversely impact the environment and society, the Company has the right to suspend its account. Furthermore, TWM provides first bargaining rights to green-product and conflict-free product suppliers to encourage others to likewise produce environmentally friendly products</p> <p>(1) TWM does not use any product from conflict material/product suppliers.</p> <p>(2) TWM requests its suppliers investigate their supply chains to ensure that no products are from conflict areas.</p>
<p>Has the Company issued CSR reports that have been verified by an independent third-party assurance organization?</p>	<p>In 2014, Taiwan Mobile was proud to be the first Taiwan telecom company to pass the International Standard on Assurance Engagements (ISAE) 3000, demonstrating the Company’s commitment to management integrity. In 2020, the Company published its 2019 CSR report in conformity with the GRI Sustainability Reporting Standards “comprehensive” options. A limited assurance of the report’s contents was performed by KPMG, a reputable independent institution, in accordance with the Assurance Standard No. 1 of the Republic of China.</p>

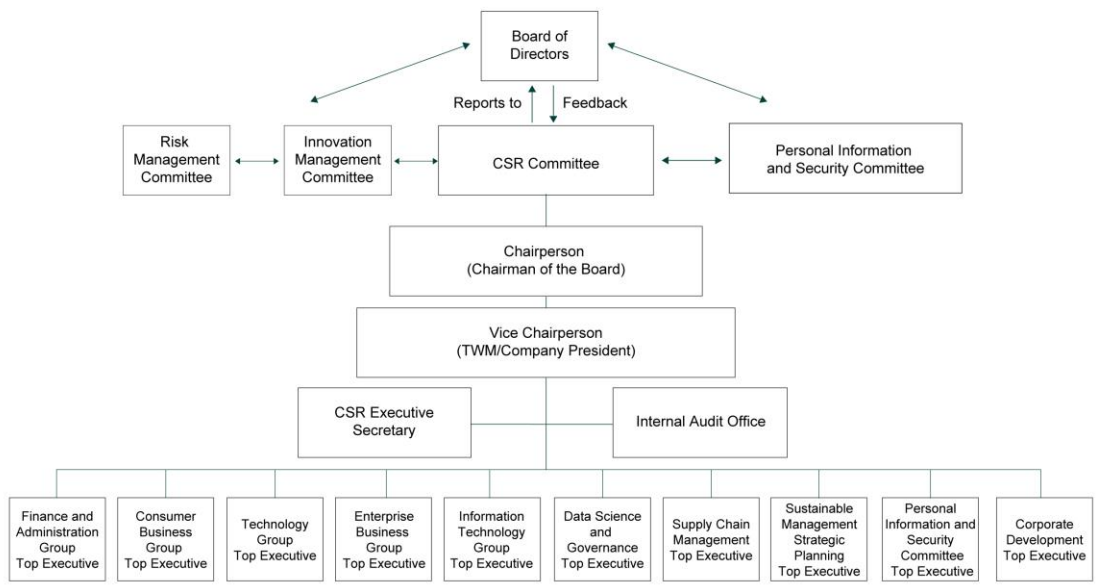
**The Company’s CSR policy and practices fully comply with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.**

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

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

The Company has formulated a comprehensive mechanism for sustainable operations management. The CSR Committee, the Risk Management Committee and the Innovation Management Committee were established in 2014, 2015 and 2017, respectively, and since 2020 the Company has a board director with relevant background in information security to oversee the Personal Information and Security Committee. The senior management from each business group serves as members of the CSR Committee, enhancing the levels of accountability, participation and governance of senior management. To strengthen CSR implementation, since 2016, the compensation of the President and Vice Presidents have been tied to the Company’s CSR performance. A self-assessment of CSR performance by the Board of Directors has been implemented since 2017.





## Ethical corporate management

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

Item	Current Practice
<p>2. Implementation of ethical corporate management</p> <p>(1) Has the Company avoided transactions with parties that have a record of dishonest behavior, stipulating in all contracts what constitute unacceptable behavior?</p> <p>(2) Has the Company established a dedicated unit to promote ethical corporate management under the supervision of the Board of Directors and regularly (at least once a year) report to the board its management policy and implementation?</p> <p>(3) Has the Company set up policies to prevent conflicts of interest and provide channels to report such conflicts</p> <p>(4) Has the Company built an effective accounting system and internal control system to carry out ethical corporate management, and has the internal auditor set up relevant audit plans based on the results of assessments of risks of dishonesty and compliance with the prevention plan, or delegated the task to an accountant?</p> <p>(5) Has the Company conducted regular internal and external training courses on ethical corporate management?</p>	<p>(1) The Company provides "Guidelines on Social Responsibility for Suppliers" and requires all suppliers to sign a "Declaration of Ethical Corporate Management," which states that suppliers must not engage in bribery; otherwise, the Company has the right to suspend their accounts and terminate or rescind their contracts any time.</p> <p>(2) (i) The Audit Committee, Compensation Committee and Internal Audit Office were established under the Board of Directors to supervise and audit the practices and implementation of the Company's ethical corporate management policy. In addition, the Legal Office, which reports to the President directly, is responsible for executing the policy, setting up guidelines to prevent dishonest behavior and reporting to the Board of Directors at least once a year to ensure the implementation of the highest guiding principles for ethical management.</p> <p>(ii) To implement the ethical corporate management policy and prevent unethical conduct, the Company has set up Ethical Corporate Management Best Practice Principles and Operation Rules of Ethical Corporate Management Best Practice Principles.</p> <p>(3) (i) The Company has promulgated policies to prevent conflicts of interest. If there is any proposal that might be harmful to the interest of the Company, board directors who have conflicts of interest with the Company shall recuse themselves from discussing or voting on the issue. Any board director, manager, employee and mandatary must not use his/her position or influence in the Company to obtain improper benefits for himself/herself or any other person.</p> <p>(ii) Any breach of ethical corporate management practices can be reported via email or fax hotline to the Company.</p> <p>(4) (i) The Company has established an effective accounting system and internal control system. In addition, the Audit Office regularly analyzes and evaluates business activities with a high risk of dishonest behavior through annual risk assessment processes, and sets up an audit plan and checks its execution, then reports the findings to the board on a periodic basis.</p> <p>(ii) The Company periodically delegates independent accountants to audit its financial statements and to verify the effectiveness of its internal control system.</p> <p>(5) The Company promotes the importance of Ethical Corporate Management Best Practice Principles to directors, managers, employees and appointees on an annual basis to help them fully understand the need to comply with ethical corporate management practices. The Company also conducts related training courses (including integrity management regulations compliance, telecommunications management and personal information protection and internal control) upon request to strengthen colleagues' awareness. From January 1, 2020 to February 26, 2021, a total of 5,265.3 training hours were held, with 12,475 participants.</p>

Item	Current Practice
<p>3. Reporting ethical violations</p> <p>(1) Has the Company established a reporting and incentive system to facilitate the processing of complaints and assigned a person or unit to deal with the cases?</p> <p>(2) Has the Company set up investigation and confidentiality procedures?</p> <p>(3) Has the Company protected whistle-blowers from harm?</p>	<p>(1) The Company has established procedures for dealing with complaints about employees or suppliers, with the Internal Audit Office tasked with handling the cases.</p> <p>a) Supplier complaints can be filed with the Internal Audit Office in written form or via fax to (02) 6636-1600.</p> <p>b) Employee complaints can be sent to a designated internal email account.</p> <p>(2) The Internal Audit Office must immediately launch an investigation upon receipt of a complaint and ensure that the name and identity of the complainant are kept confidential.</p> <p>(3) The Internal Audit Office must be objective and fair in its investigation. It must report the results of its investigation directly to a higher supervisor and ensure that the whistle-blower is not harmed.</p>
<p>4. Has the Company strengthened information disclosure by posting related information on ethical corporate management and promoting its effectiveness on the Company's website and MOPS?</p>	<p>The Company has posted its Ethical Corporate Management Best Practice Principles on its website and MOPS. Its annual report and corporate social responsibility report further shed light on its execution and enhance corporate transparency.</p>
<p>5. Has the Company promulgated its own ethical corporate management principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies? If yes, describe the differences between the principles and current practices: No difference.</p>	
<p>6. Other important information to facilitate understanding of the Company's implementation of ethical corporate management practices :</p> <p>(1) The Company's electronic procurement system mandatorily requires suppliers to sign a "Declaration of Integrity in Business Conduct" every year; otherwise, they are not allowed to participate in the bidding process.</p> <p>(2) The Company regularly monitors developments in domestic and international ethical corporate management standards and reviews its performance to ensure compliance. The Board of Directors approved amendments to the Ethical Corporate Management Best Practice Principles on November 6, 2020.</p>	

## **Corporate governance rules and procedures**

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

## **Additional information on corporate governance operations:**

### **Corporate governance principles**

- Timely disclosure of material information
- Checks and balances between the board and management
- Setting the target share of independent directors at a minimum of 40%. Current ratio is 56%
- Audit Committee was established to ensure fair and independent financial oversight
- Remuneration and Nomination Committee was established to strengthen corporate governance practices, promote a sound compensation system for directors and managers, and select candidates for directorships
- Adoption of a high cash dividend payout policy
- Shareholders' rights are guaranteed with the right to vote on all proposals at the annual general shareholders' meeting or through an electronic voting system
- Strict compliance with the Code of Ethics and Ethical Corporate Management Best Practice Principles, and establishment of an internal audit mechanism

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

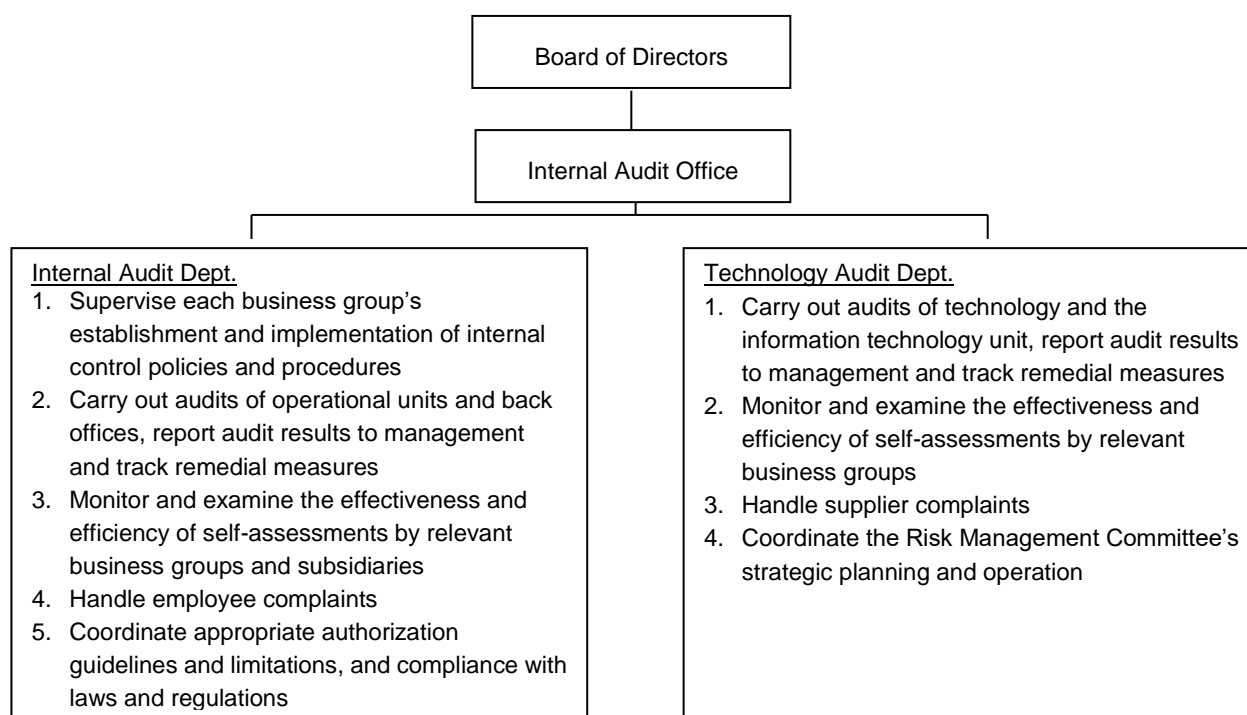
## Internal control system

### 1. Internal control mechanism

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

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

There are 12 dedicated internal audit staff members, including one supervisor in charge of the Internal Audit Office, whose responsibilities are detailed below:



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

### 3. Internal control statement

#### Internal Control Statement

Date: January 26, 2021

Taiwan Mobile (TWM) states the following with regard to its internal control system for the year 2020:

1. TWM is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. TWM has established such a system to provide reasonable assurance in achieving objectives related to the effectiveness and efficiency of operations (including profits, performance and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. An effective internal control system, no matter how perfectly designed, can provide only a reasonable assurance in the accomplishment of the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in the environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms and the Company takes corrective actions as soon as a deficiency is identified.
3. TWM evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by public companies promulgated by the Securities and Futures Bureau, the Financial Supervisory Commission and the Executive Yuan (herein referred to as the "Regulations"). The internal control system evaluation criteria stated in the Regulations classify internal control into five key elements based on the process of management control: (1) Control environment, (2) Risk assessment and response, (3) Control activities, (4) Information and communications, and (5) Monitoring. (Please refer to the Regulations for details on these five key elements.)
4. TWM has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the third paragraph, TWM believes that as of December 31, 2020, its internal control system (including its supervision of subsidiaries), which encompasses internal controls to achieve effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations, was effectively designed and operating, and is reasonably assured of achieving the above-stated objectives.
6. This statement will form a major part of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been passed by the TWM Board of Directors' Meeting on January 26, 2021, where all of the nine attending directors did not express any dissenting opinion and affirmed the content of the same.

Taiwan Mobile Co., Ltd.



Daniel M. Tsai  
Chairman



Jamie Lin  
President

**Violation of regulations and internal policies:** None.

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

### **1. Major resolutions at the 2020 shareholders' meeting**

Issues approved and subsequent execution:

- (1) 2019 business report and financial statements
- (2) Distribution of 2019 earnings and cash return from capital surplus  
Execution: Set record date of ex-dividend on July 25, 2020, and cash payment of NT\$4.75 per share on August 12, 2020.
- (3) Revisions to the Company's Articles of Incorporation  
Execution: Approved by the Ministry of Economic Affairs on July 24, 2020, the revised rules were posted on the Company's website.
- (4) Revisions to the Rules and Procedures Governing Shareholders' Meeting  
Execution: Published on the Company's website and MOPS on June 18, 2020.
- (5) Revisions to the Rules for Election of the Directors  
Execution: Published on the Company's website and MOPS on June 18, 2020.
- (6) Election of the ninth Board of Directors (including five independent directors)  
Directors: Fu-Chi Investment Co., Ltd. (representatives: Daniel M. Tsai, Richard M. Tsai and Chris Tsai)  
TCC Investment Co., Ltd. (representative: Jamie Lin)  
Independent Directors: Hsueh-Jen Sung, Char-Dir Chung, Hsi-Peng Lu, Tong Hai Tan and Drina Yue  
Execution: Approved by the Ministry of Economic Affairs on July 9, 2020, the result was published on the Company's website.
- (7) Removal of non-competition restrictions on board directors  
Execution: Published on MOPS on June 18, 2020.

### **2. Major resolutions by the board (from 2020 up to publication date in 2021)**

1. 17th meeting of eighth BoD on January 21, 2020
  - (1) Approved the 2020 capital expenditure plan and donation to TWM Foundation
  - (2) Approved the issuance of unsecured straight corporate bonds
  - (3) Approved the acquisition or disposal of right-of-use assets
  - (4) Approved the schedule for the 2020 Annual General Meeting
2. 18th meeting of eighth BoD on February 21, 2020
  - (1) Approved the 2019 business report and financial statements
  - (2) Approved the 2020 consolidated financial forecasts and the 2020 additional capex for TWM and its subsidiaries
3. 19th meeting of eighth BoD on April 10, 2020
  - (1) Approved an increase in the number of directors
4. 20th meeting of eighth BoD on April 30, 2020
  - (1) Approved the 2019 earnings distribution proposal and cash return from capital surplus
  - (2) Approved the acquisition or disposal of right-of-use assets
5. 21st meeting of eighth BoD on June 9, 2020
  - (1) Approved the three-year mobile broadband equipment procurement plan
6. 1st meeting of ninth BoD on June 18, 2020
  - (1) Daniel M. Tsai was elected as Chairman
  - (2) Appointment of members the fourth Remuneration and Nomination Committee
7. 2nd meeting of ninth BoD on August 4, 2020
  - (1) Approved the Company's participation in a new share issuance by TWM Venture Co., Ltd., a 100%-owned subsidiary.
  - (2) Approved the acquisition or disposal of right-of-use assets
8. 3rd meeting of ninth BoD on September 1, 2020
  - (1) Approved the additional 2020 capex budget plan



9. 4th meeting of ninth BoD on November 6, 2020
  - (1) Approved the acquisition or disposal of right-of-use assets
10. 5th meeting of ninth BoD on January 26, 2021
  - (1) Approved the 2021 capital expenditure plan and donation to TWM Foundation
  - (2) Approved the acquisition or disposal of right-of-use assets
11. 6th meeting of eighth BoD on February 25, 2021
  - (1) Approved the 2020 business report and financial statements
  - (2) Approved the 2021 Guidance
  - (3) Approved the schedule for the 2021 Annual General Meeting
  - (4) Approved the acquisition or disposal of right-of-use assets

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

## Major dissenting comments over board meeting resolutions from 2020 up to publication date in 2021: None

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

As of February 26, 2021

Title	Name	Date of taking office	Date of resignation	Reason for resignation/discharge
Vice President and General Counsel	Ariel Hwang	2016/04/28	2020/03/01	Retirement

## Certified Public Accountant (CPA) Information

### 1. CPA service fees

Accounting firm	Name of CPA	Period covered by CPA's audit	Remarks
Deloitte & Touche	Pei-De Chen Kwan-Chung Lai	2020.01.01~2020.12.31	None

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

### 2. Other information

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

Unit: NT\$'000

Accounting firm	Name of CPA	Audit fee	Non-audit fee					Period covered by CPA's audit	Remarks
			System design	Company registration	Human resources	Others	Total		
Deloitte & Touche	Pei-De Chen Kwan-Chung Lai	9,183	-	-	-	1,804	1,804	2020.01.01 ~ 2020.12.31	Fees for non-audit services were mainly for tax-related consultations and attestation services

- (2) For CPA changes, if the audit fee in the first year is lower than that of the prior year, specify the audit fee before and after the change and the reasons: Not applicable
- (3) If audit fees dropped by more than 10%, specify the amount and percentage of decline and reasons: None

**3. Information on CPA changes:**

(1) Former CPA

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

(2) Current CPA

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

- (3) The former CPA's response to the issues referred to in Article 10.6.1 and Item 3 of Article 10.6.2 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: None

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

## Direct and indirect investments in affiliated companies

As of December 31, 2020  
Unit: shares, %, foreign currency

Long-term investments under equity method (Note 1)	Investment by TWM		Investment by TWM's directors, managers and its directly or indirectly controlled businesses		Total investment	
	Shares	Holding (%)	Shares	Holding (%)	Shares	Holding (%)
Taiwan Cellular Co., Ltd.	502,970,309	100.00	—	—	502,970,309	100.00
Wealth Media Technology Co., Ltd.	42,065,000	100.00	—	—	42,065,000	100.00
TWM Venture Co., Ltd.	160,500,000	100.00	—	—	160,500,000	100.00
Taipei New Horizon Co., Ltd.	191,865,500	49.90	—	—	191,865,500	49.90
AppWorks Ventures Co., Ltd.	1,275,000	51.00	955,000	38.20	2,230,000	89.20
Alliance Digital Technology Co. (Note 2)	6,000,000	14.40	—	—	6,000,000	14.40

Note 1: Investments accounted for using equity method

Note 2: ADT was dissolved on December 31, 2018. As of December 31, 2020, ADT was still under liquidation.

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

### 1. Minor changes in shareholder structure

Unit: shares

Title	Name	2020		2021 (as of February 26)	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding	Net change in shares pledged
Chairman	Fu Chi Investment Co., Ltd. Representative: Daniel M. Tsai				
Director	Fu Chi Investment Co., Ltd. Representative: Richard M. Tsai	0	0	0	0
Director	Fu Chi Investment Co., Ltd. Representative: Chris Tsai				
Director	TCC Investment Co., Ltd. Representative: Jamie Lin	0	0	0	0
Independent Director	Hsueh-Jen Sung	0	0	0	0
Independent Director	Char-Dir Chung	0	0	0	0
Independent Director	Hsi-Peng Lu	0	0	0	0
Independent Director	Tong Hai Tan (Took office on June 18, 2020)	0	0	0	0
Independent Director	Drina Yue (Took office on June 18, 2020)	0	0	0	0

Title	Name	2020		2021 (as of February 26)	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding	Net change in shares pledged
Major Shareholder (shareholding of more than 10%)	TFN Union Investment Co., Ltd.	0	0	0	0
President	Jamie Lin	100,000	0	0	0
EVP and Chief Financial Officer	Rosie Yu	0	0	0	0
SVP and Chief Technology Officer	Tom Koh	0	0	0	0
VP and Chief Information Officer	James Chang	0	0	0	0
VP and Chief Data Officer	Eddie Chan	0	0	0	0
Vice President	Jay Hong	0	0	0	0
Vice President	Iris Liu	0	0	0	0
Vice President	Naomi Lee	0	0	0	0
Vice President	C.H. Wu	0	0	0	0
Vice President	Steve Chou	0	0	0	0
Vice President	Daphne Lee	0	0	0	0
Vice President	David Lin	0	0	0	0
Vice President	Michael Teng	0	0	0	0
Vice President	Shirley Chu	0	0	0	0
Vice President	Joan Hung	0	0	0	0
Vice President	Tim Lee (Took office on March 09, 2020)	0	0	0	0
Chief Accounting Officer	Darren Shih	0	0	0	0
Independent Director	Jack J.T. Huang (completed his tenure on June 18, 2020)	0	0	NA	NA
VP and General Counsel	Ariel Hwang (retired on March 1, 2020)	0	0	NA	NA

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

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

## Relationship between TWM's top 10 shareholders

As of July 25, 2020

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's top 10 shareholders who are defined as related parties, spouse or a relative within two degrees	
	Shares	%	Shares	%	Name (B)	Relationship
TFN Union Investment Co., Ltd.	410,665,284	11.70%	–	–	TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd. Daniel M. Tsai	A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman B is a director at A A and B have the same chairman B is A's chairman
Chairman: Daniel M. Tsai	65,162,715	1.86%	4,580,070	0.13%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd.	A is B's chairman A is B's chairman A is B's chairman A is a relative within two degrees of B's chairman A is B's chairman B is A's relative within two degrees A is B's chairman
Shin Kong Life Insurance Co., Ltd.	326,010,000	9.29%	–	–	None	None
Chairman: Tung-Chin Wu	–	–	–	–	None	None
Cathay Life Insurance Co., Ltd.	212,444,900	6.05%	–	–	None	None
Chairman: Tiao-Kuei Huang	–	–	–	–	None	None
TCC Investment Co., Ltd.	200,496,761	5.71%	–	–	TFN Union Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd. Daniel M. Tsai	A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman B is a director at A A and B have the same chairman B is A's chairman

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's top 10 shareholders who are defined as related parties, spouse or a relative within two degrees	
	Shares	%	Shares	%	Name (B)	Relationship
Chairman: Daniel M. Tsai	65,162,715	1.86%	4,580,070	0.13%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd.	A is B's chairman A is B's chairman A is B's chairman A is a relative within two degrees of B's chairman A is B's chairman B is A's relative within two degrees A is B's chairman
Ming Dong Co., Ltd.	184,736,452	5.26%	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd. Daniel M. Tsai	A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman B is a director at A A and B have the same chairman B is A's chairman
Chairman: Daniel M. Tsai	65,162,715	1.86%	4,580,070	0.13%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd.	A is B's chairman A is B's chairman A is B's chairman A is a relative within two degrees of B's chairman A is B's chairman B is A's relative within two degrees A is B's chairman
Fubon Life Insurance Co., Ltd.	150,880,400	4.30%	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd. Daniel M. Tsai	B's chairman is a relative within two degrees of A's chairman B's chairman is a relative within two degrees of A's chairman B's chairman is a relative within two degrees of A's chairman B's chairman is a relative within two degrees of A's chairman B is A's chairman B's chairman is a relative within two degrees of A's chairman B is a relative within two degrees of A's chairman
Chairman: Richard M. Tsai	93,310,663	2.66%	5,086,496	0.14%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. TCCI Investment and Development Co., Ltd. Daniel M. Tsai	A is a director at B A is a director at B A is a director at B A is B's chairman A is a director at B A is a director at B B is A's relative within two degrees

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's top 10 shareholders who are defined as related parties, spouse or a relative within two degrees	
	Shares	%	Shares	%	Name (B)	Relationship
Dao Ying Co., Ltd.	113,609,742	3.24%	–	–	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd. Daniel M. Tsai	A and B have the same chairman A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman B is a director at A A and B have the same chairman B is A's chairman
Chairman: Daniel M. Tsai	65,162,715	1.86%	4,580,070	0.13%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd.	A is B's chairman A is B's chairman A is B's chairman A is a relative within two degrees of B's chairman A is B's chairman B is A's relative within two degrees A is B's chairman
Richard M. Tsai	93,310,663	2.66%	5,086,496	0.14%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. TCCI Investment and Development Co., Ltd. Daniel M. Tsai	A is a director at B A is a director at B A is a director at B A is B's chairman A is a director at B A is a director at B B is A's relative within two degrees

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's top 10 shareholders who are defined as related parties, spouse or a relative within two degrees	
	Shares	%	Shares	%	Name (B)	Relationship
TCCI Investment and Development Co., Ltd.	87,589,556	2.50%	–	–	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai Daniel M. Tsai	A and B have the same chairman A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman B is a director at A B is A's chairman
Chairman: Daniel M. Tsai	65,162,715	1.86%	4,580,070	0.13%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd.	A is B's chairman A is B's chairman A is B's chairman A is a relative within two degrees of B's chairman A is B's chairman B is A's relative within two degrees A is B's chairman
Daniel M. Tsai	65,162,715	1.86%	4,580,070	0.13%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Richard M. Tsai TCCI Investment and Development Co., Ltd.	A is B's chairman A is B's chairman A is B's chairman A is a relative within two degrees of B's chairman A is B's chairman B is A's relative within two degrees A is B's chairman

Note: Shareholding percentage is calculated based on outstanding shares of 3,509,376,492 shares as of July 25, 2020.



# Chapter 3 Financial Information

## Capital and shares

### Source of capital

As of February 26, 2021

Date	Par value (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Source of capital (NT\$)	In a form other than cash	Cert. No. & effective date
Feb. 2020	10	6,000,000,000	60,000,000,000	3,509,354,470	35,093,544,700	Convertible bonds: 134,103,970	—	Authorization No. 1050043485 Nov. 7, 2016
May. 2020	10	6,000,000,000	60,000,000,000	3,509,376,492	35,093,764,920	Convertible bonds: 220,220	—	Authorization No. 1050043485 Nov. 7, 2016
Nov. 2020	10	6,000,000,000	60,000,000,000	3,512,421,461	35,124,214,610	Convertible bonds: 30,449,690	—	Authorization No. 1050043485 Nov. 7, 2016

As of February 26, 2021

	Authorized capital			Remarks
	Listed shares	Unissued shares	Total	
Common stock	3,512,421,461	2,487,578,539	6,000,000,000	None

Information related to shelf registration: None

### Shareholder structure

As of July 25, 2020

	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions & individuals	Total
No. of shareholders	7	22	365	54,942	875	56,211
Total shares owned	223,989,356	892,520,173	1,391,014,401	382,795,647	619,056,915	3,509,376,492
Holding percentage (%)	6.38%	25.43%	39.64%	10.91%	17.64%	100.00%

### Shareholding distribution

As of July 25, 2020

#### 1. Common shares

Shareholding range	No. of shareholders	Total shares owned	Holding percentage
1 ~ 999	16,544	5,181,193	0.15%
1,000 ~ 5,000	32,089	62,655,394	1.79%
5,001 ~ 10,000	3,884	29,992,512	0.85%
10,001 ~ 15,000	1,023	12,888,100	0.37%
15,001 ~ 20,000	705	12,818,004	0.36%
20,001 ~ 30,000	554	14,033,207	0.40%
30,001 ~ 50,000	425	16,751,884	0.48%
50,001 ~ 100,000	340	24,066,325	0.69%
100,001 ~ 200,000	176	25,961,842	0.74%
200,001 ~ 400,000	148	41,830,728	1.19%
400,001 ~ 600,000	60	28,830,628	0.82%
600,001 ~ 800,000	39	27,008,270	0.77%
800,001 ~ 1,000,000	37	33,123,184	0.94%
1,000,001 and above	187	3,174,235,221	90.45%
Total	56,211	3,509,376,492	100.00%

#### 2. Preferred shares: None

## Major shareholders

As of July 25, 2020

Name	Total shares owned	Holding percentage (Note)
TFN Union Investment Co., Ltd.	410,665,284	11.70%
Shin Kong Life Insurance Co., Ltd.	326,010,000	9.29%
Cathay Life Insurance Co., Ltd.	212,444,900	6.05%
TCC Investment Co., Ltd.	200,496,761	5.71%
Ming Dong Co., Ltd.	184,736,452	5.26%
Fubon Life Insurance Co., Ltd.	150,880,400	4.30%
Dao Ying Co., Ltd.	113,609,742	3.24%
Richard M. Tsai	93,310,663	2.66%
TCCI Investment & Development Co., Ltd.	87,589,556	2.50%
Daniel M. Tsai	65,162,715	1.86%

Note: Shareholding percentage was calculated based on outstanding shares of 3,509,376,492 as of July 25, 2020.

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

		2019	2020	As of February 26, 2021	
Share price (NT\$)	High	123.00	116.50	99.70	
	Low	106.00	95.00	95.90	
	Average	112.98	103.82	97.73	
Net worth per share (NT\$)	Before earnings appropriation	24.20	23.23	—	
	After earnings appropriation	19.45	(Note 1)	—	
Earnings per share (NT\$)	Adjusted weighted average outstanding shares ('000 shares)	2,767,709	2,811,916	—	
	Earnings per share	4.51	4.01	—	
Dividends per share (NT\$)	Cash dividends	4.75	(Note 1)	—	
	Stock dividends	Retained earnings	—	(Note 1)	—
		Capital surplus	—	(Note 1)	—
	Accumulated unpaid dividends	—	—	—	
PE and dividend yield (Note 2)	Price earnings ratio (x)	25.05	25.89	—	
	Price to cash dividend (x)	23.79	—	—	
	Cash dividend yield (%)	4.2	—	—	

Note 1: The appropriation amount for 2020 has yet to be approved at the AGM.

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

## Dividend policy

### 1. Dividend policy under Articles of Incorporation

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

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

The BoD has not yet approved the proposed dividend allocation for 2020 as of publication date. The board expects to approve the proposal 40 days prior to the AGM, and the related resolution will be announced on the Company's website and MOPS.

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

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

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

The BoD has not yet approved the dividend allocation proposal for 2020 as of publication date.

## Employees' and directors' compensation

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

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

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

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

### 3. 2020 employees' and directors' compensation proposals adopted by the BoD

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

The 2020 employee bonuses and directors' compensation approved by the BoD on February 25, 2021 totaled NT\$390,869 thousand and NT\$39,087 thousand, respectively, in the form of cash, while the accrued amounts in the 2020 financial reports were NT\$351,782 thousand and NT\$35,178 thousand, respectively. The differences between the actual distribution and the accrued amounts of NT\$39,087 thousand and NT\$3,909 thousand, respectively, were treated as changes in accounting estimates and adjusted in 2021.

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

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

2019 employee bonuses and directors' compensation approved by the BoD and actual distribution:

Unit: NT\$'000	Employee bonuses	Directors' Compensation
Accrued amount	437,880	43,788
Actual distribution	424,988	43,788
Difference	12,892	0

Note: The differences between the actual distribution and the accrued amount were treated as changes in employee number and adjusted in 2020.

**Share buyback: None**  
**Corporate bond issuance**

**Corporate bonds**

As of February 26, 2021

Issuance	Fifth Unsecured Corporate Bond	Sixth Unsecured Corporate Bond	Third Domestic Unsecured Convertible Bond
Issue date	April 20, 2018	March 24, 2020	November 22, 2016
Denomination	NT\$10,000,000	NT\$10,000,000	NT\$100,000
Issuance and listing	Not applicable	Not applicable	Not applicable
Issue price	100% of par value	100% of par value	100% of par value
Total amount	NT\$15,000,000,000 Tranche A : NT\$6,000,000,000 Tranche B : NT\$9,000,000,000	NT\$20,000,000,000 Tranche A : NT\$5,000,000,000 Tranche B : NT\$10,000,000,000 Tranche C : NT\$5,000,000,000	NT\$10,000,000,000
Coupon	Tranche A : 0.848% p.a. Tranche B : 1.000% p.a.	Tranche A : 0.640% p.a. Tranche B : 0.660% p.a. Tranche C : 0.720% p.a.	0% p.a.
Term	Tranche A : 5 years, maturing on April 20, 2023 Tranche B : 7 years, maturing on April 20, 2025	Tranche A : 5 years, maturing on March 24, 2025 Tranche B : 7 years, maturing on March 24, 2027 Tranche C : 10 years, maturing on March 24, 2030	5 years, maturing on Nov. 22, 2021
Guarantor	None	None	None
Trustee	Bank of Taiwan	Bank of Taiwan	Bank of Taiwan
Underwriter	Yuanta Securities Co., Ltd.	KGI Securities Co., Ltd.	Yuanta Securities Co., Ltd.
Legal counsel	Jim Chen, Attorney	Jim Chen, Attorney	Tai Yuan Huang, Attorney
Auditor	Li-wen Kuo, CPA, and Kwan-chuang Lai, CPA, Deloitte & Touche	Li-wen Kuo, CPA, and Kwan-chuang Lai, CPA, Deloitte & Touche	Li-wen Kuo, CPA, and Kwan-chuang Lai, CPA, Deloitte & Touche
Repayment	Bullet repayment	Bullet repayment	All bonds shall be redeemed in cash on the maturity date at par value unless otherwise converted in accordance with Clause 10 of the Procedures for Issuance and Conversion of TWM's 3rd domestic unsecured convertible bonds (the Procedures) by the holders of the bonds into common shares of the company, the put option being exercised in accordance with Clause 19 of the Procedures by the holders of the bonds, early redemption in accordance with Clause 18 of the Procedures by the company, or repurchased from securities firms and cancelled by the company prior to the maturity date.
Outstanding balance	NT\$15,000,000,000	NT\$20,000,000,000	NT\$637,200,000
Early repayment clause	None	None	Please refer to the Procedures for Issuance and Conversion of TWM's 3rd domestic unsecured convertible bonds.
Covenants	None	None	None
Credit rating agency, rating date, company credit rating	None	None	None

Issuance		Fifth Unsecured Corporate Bond	Sixth Unsecured Corporate Bond	Third Domestic Unsecured Convertible Bond
Ancillary rights	Amount converted/ exchanged into common shares, ADRs or other securities	Not applicable	Not applicable	NT\$9,362,800,000
	Rules governing issuance or conversion (exchanged or subscription)	Not applicable	Not applicable	Please refer to the Procedures for Issuance and Conversion of TWM's 3rd domestic unsecured convertible bonds.
Dilution and other effects on shareholders' equity		Not applicable	Not applicable	Based on the conversion price of NT\$95.6, if all the bonds are converted into common shares, the maximum share dilution would be 2.79%.
Custodian		Not applicable	Not applicable	Not applicable

### Convertible bond information:

Corporate bond type		Third Domestic Unsecured Convertible Bond		
Item	Year	2019	2020	2021 (As of February 26, 2021)
	Market price of convertible bonds (NT\$)	Highest	116.65	114.90
Lowest		102.80	102.50	106.30
Average		109.69	109.51	107.03
Conversion price (NT\$)		104.70 ~ 99.90	99.90 ~ 95.60	95.60
Issue date and conversion price at issuance		Issue date: November 22, 2016 Conversion price at issuance: NT\$116.10		
Conversion method		Issuance of new shares		

**Exchangeable bonds:** None

**Shelf registration issuance:** None

**Bonds with warrant:** None

**Preferred shares:** None

**Depository receipt issuance:** None

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

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

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

## Chapter 4 Operational Highlights

### Performance by division

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

Unit: NT\$m

	<b>Telecom business</b>		<b>Cable TV business</b>	<b>Retail business</b>
	<b>Mobile business</b>	<b>Fixed-line broadband business</b>		
Market position	One of top three mobile operators in a five-player market, with a market share of around 24% in terms of mobile subscribers	One of top three internet service providers (ISP)	Fourth-largest multiple system operator (MSO), covering about 11% of households in Taiwan	Ranked first in B2C e-commerce
2020 revenue*	61,533		6,193	67,198
2020 EBIT*	11,325		2,208	2,219

\* Source: 2020 financial reports. The difference between the sum of each division and consolidated numbers was due to inter-division adjustments and eliminations.

## Scope of Business

### Business overview

#### Telecom Business

#### 1. Telecom products and services

##### **Consumer Business Group**

Besides providing basic mobile voice and broadband services, the Consumer Business Group also offers diversified value-added services to create an integrated mobile entertainment user experience. These value-added services include video and music streaming, mobile commerce, instant messenger, IoT-related services and smart home services.

##### **Enterprise Business Group**

The Enterprise Business Group offers a full range of information and communication integration service solutions to enterprise clients. Building on its solid foundation in mobile, fixed network and other telecommunications based services, the group can serve as a partner in the fields of 5G solutions, IoT, cloud, AI and information security protection.

## 2. Telecom revenue breakdown

Unit: NT\$mn

Item	Year	2020	
		Revenue	% of total
Service revenue		45,007	73%
Device sales		16,526	27%
Total		61,533	100%

## 3. New telecom products and services

### Consumer Business Group

- (1) Smarter Home ecosystem: Integrates related services within Fubon Group – smart home appliances, over-the-top media services, wearable devices, home security monitoring, etc. – to create an all-in-one smart home solution for users.
- (2) Provides users a whole new entertainment experience with 5G smart stadium application via 5G networks and multi-access edge computing (MEC).

### Enterprise Business Group

- (1) Software as a service (SaaS):

With companies expected to step up deployment of cloud services in the post-pandemic era, the Enterprise Business Group has launched services such as virtual desktop infrastructure (VDI) and backup to help enterprise customers easily access company resources anywhere.

- (2) Cloud security service:

As enterprises increasingly outsource cloud security services, TWM is working with leading corporations to provide comprehensive information security solutions, including cloud firewalls, cloud web application firewall (WAF), abnormal traffic monitoring with log services and security operations center (SOC) services.

- (3) 5G/Internet of Things:

The group is focusing on the development of IoT platforms, such as the TWM over-the-air (OTA) and other value-added services, to strengthen platform differentiation. TWM is also expanding its ecosystem partners from IoT to 5G domain to launch 5G enterprise private network services and vertical application services.

## Cable TV Business (Home Business Group)

### 1. CATV products and services

Its main operations cover a variety of products and services, including cable TV, HD digital TV, high-speed fiber-optic internet access, over-the-top (OTT) service platform, HomeSecurity services, A1 Box and digital TV channel content agency.

## 2. CATV revenue breakdown

Unit: NT\$mn

Item	Year	2020	
		Revenue	% of total
Pay TV service		3,407	55%
Cable broadband service		1,560	25%
TV content agency and others*		1,226	20%
Total		6,193	100%

\* Including channel leasing revenues

## 3. New CATV products and services

### (1) HD digital TV services:

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

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

Given the increasing demand for high-speed internet access, TWM Broadband launched 1Gbps fiber-optic internet access with WiFi 6, and will offer high-speed internet access above 1Gbps in the near future.

### (3) Digital home services:

TWM launched HomeSecurity AI services for businesses and households by integrating AI human detection technology and digital real-time monitoring. The Company is developing multiple value-added services, such as IoT, and cloud games.

## Retail Business (momo.com Inc. or “momo”)

### 1. Retail products and services

momo offers e-commerce and TV home shopping services

#### (1) e-commerce

momo sells over 3 million stock keeping units (SKUs), 25% of which offer 24-hour delivery guarantee. It also provides 24-hour online customer service and a supplier contact platform to satisfy customers' shopping needs.

#### (2) TV home shopping

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

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



## 2. Retail revenue breakdown

Unit: NT\$mn

Item	Year	2020	
		Revenue	% of total
E-commerce		61,586	92%
TV home shopping and others		5,612	8%
Total		67,198	100%

## 3. New categories and services

- (1) momo has continued to introduce more international brands and to enhance long-term relationships with brand partners. With the aid of key opinion leaders, live-streaming, social commerce marketing and cross-selling within Fubon Group, momo has added new categories, such as books, used cars and fresh food, to boost sales. Its TV home shopping has also developed new categories and introduced more overseas niche products to enhance its unique platform and broaden its customer base.
- (2) momo has stepped up its logistics network build-out to accelerate last-mile delivery to offer customers greater convenience. In terms of mobile device application, momo introduced AI technology to enhance visual and voice searches, as well as to ensure information security.
- (3) momo's TV home shopping business has steadily adapted to changes in consumer lifestyle and trends. To enhance engagement with its client base and boost customer stickiness, it has expanded its TV fan clubs' operation, launched a TV app, broadcast live-stream videos on Facebook and listed on Chunghwa Telecom's MOD. It has also laid out plans for cooperation with Heran channel and major OTT operators.
- (4) momo will establish a logistics center in southern Taiwan to improve shipping efficiency.

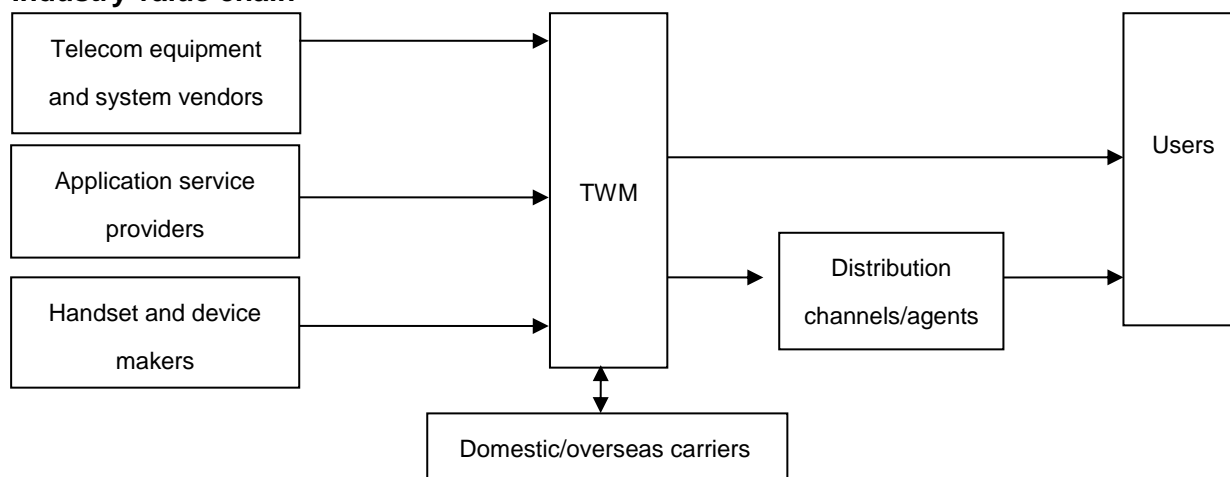
## Industry overview

### Consumer Business Group

#### 1. Industry status and development

The telecom industry entered a pure 4G era from 2019, then launched 5G services on non-standalone (NSA) 5G network architectures at the mid-year of 2020. With the 5G SA-capable devices become available in the market in 2021H2, the telecom industry will enter 5G SA network era.

#### 2. Industry value chain



### 3. Product development trends and competitive landscape

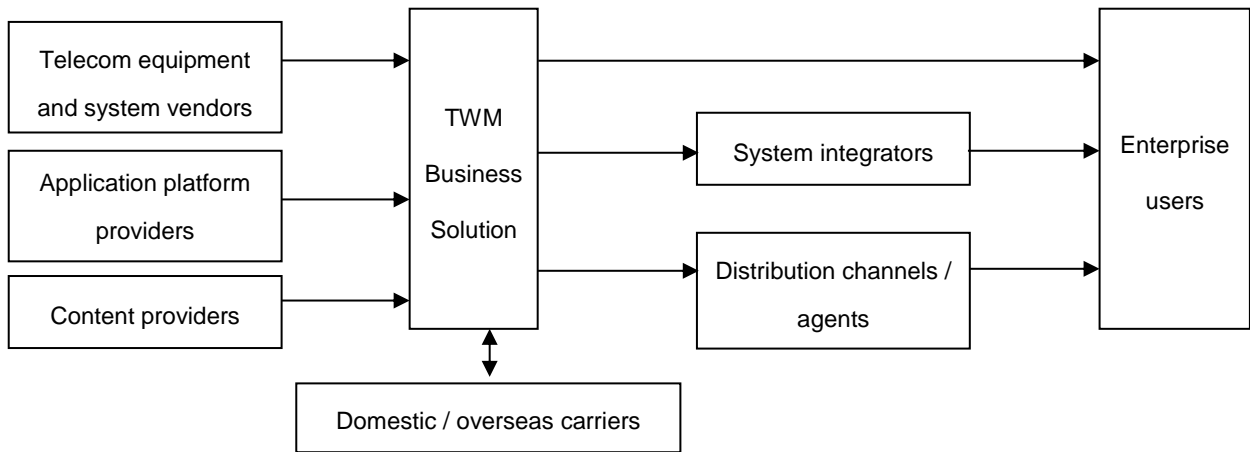
With the launch of 5G services, the three major telecoms upgraded their unlimited data plan to NT\$1,399. Increasing demand for 5G smartphones, wearable devices and smart home applications is expected to help end the price war and boost ARPU.

## Enterprise Business Group

### 1. Industry status and development

On May 31, 2019, the Legislative Yuan passed the "Telecommunications Management Act," easing the restrictions on telecoms leasing or sharing networks and spectrums, as well as granting of permits, which is expected to accelerate the development of vertical applications. The launch of 5G services, move into cloud computing and digital transformation have intensified market competition. Telecoms have ceased to be just providers of basic telecommunications services, but expanded to offer customers more diversified and flexible integrated solutions and application services.

### 2. Industry value chain



### 3. Product development trends and competitive landscape

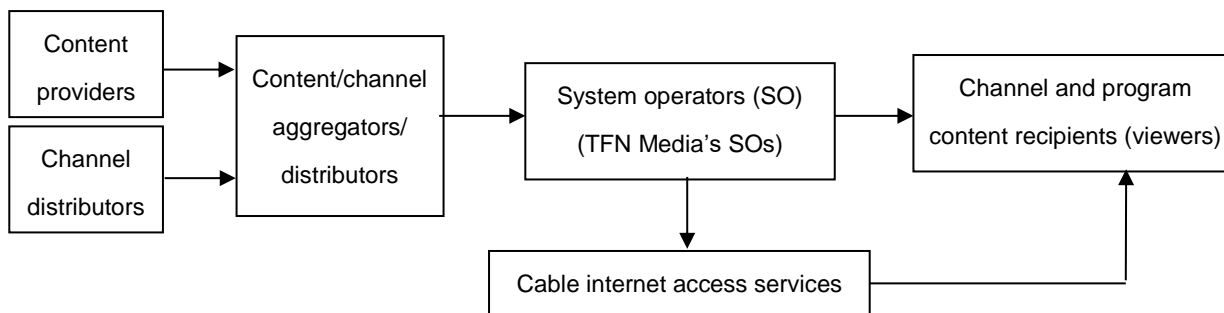
In the enterprise market, Chunghwa Telecom (CHT), which has fixed network services and economies of scale, is the main target of competition. The diverse applications and unlimited possibilities that 5G offers could provide a breakthrough in the competitive landscape. Given the rising demand for vertically integrated applications, the cooperation of 5G ecosystem partners will become increasingly important.

## Home Business Group

### 1. Industry status and development

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

## 2. Industry value chain



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

## 3. Product development trends and competitive landscape

Fixed broadband is a saturated market that is dominated by Chunghwa Telecom and characterized by slowing growth. However, with the advance of technology, fiber-optic internet access service speed has reached 1Gpbs. Operators now compete on price and speed. Furthermore, with the CATV industry becoming fully digitalized, user demand for high-definition digital TV channels and OTT content has increased. 4K content and smart home applications such as internet-connected and voice control devices are the future trends.

## Retail Business

### 1. Industry status and development

Consumers can order by telephone or through virtual platforms, choosing from a plethora of convenient payment options and receive the product within a short period.

### 2. Industry value chain



momo sources its products from suppliers and 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) E-commerce: Competition is no longer limited to e-commerce channels. Fast delivery and cold chain logistics services are maturing. Groceries have become a new focus of competition between e-commerce platforms and hypermarket chains.
- (2) TV home shopping: The rise of virtual shopping platforms, such as e-commerce and mobile commerce, has intensified competition in TV home shopping. momo has countered this by collaborating with key opinion leaders or influencers, launching its own mobile apps and leveraging its social platform and capabilities, including live streaming, to bolster engagement with its members and customer base.

## Research and development expenditure

Research and development expenses totaled NT\$214,996 thousand in 2020 and NT\$19,146 thousand in January 2021. Continued investment in the research and development of more advanced technologies is expected to increase customer satisfaction, which in turn should boost value-added service revenue and overall operations growth.

## Major research and development achievements

Project name	Description
Deep learning-based resource allocation for 5G heterogeneous mobile networks	This project applied reinforcement learning to optimize resource allocation for 5G heterogeneous networks. At the same time, a handover model was established based on convolutional neural networks, so that base stations can predict handover events and allocate network resources in advance. The proposed deep learning-based method aimed to optimize the deployment of 5G heterogeneous networks by improving communication quality, while saving energy and reducing carbon emissions.
myVideo	Extended myVideo service to Apple TV box, provided live service on VR devices, as well as new types of payment mechanisms, such as Apple IAP, Line Pay and Google IAP, and continued to support more set-top box devices.
Smarter Home	Built a smart home AIoT ecosystem and platform; integrated Google Nest smart speakers and many types of home appliances from various brands to provide users an easy way to make their home smarter.
Construction of intelligent warehousing	To boost shipments by satellite warehouses, an intelligent warehouse was built to develop product sales projections and optimize distribution, stocking and sorting at satellite warehouses.

## Sales development plans

### Consumer Business Group

#### 1. Short-term plan

- (1) Offer higher subsidies for longer-term contract plans to attract more 5G true users and provide more 5G value-added services to boost revenue.
- (2) Provide “Double Play Bundle” and “Double Play Add-on” packages – one-stop shopping for fixed broadband and mobile services. The packages are designed to meet customers’ need for high-speed broadband services indoors and outdoors, and help users build a smarter home.
- (3) Build Taiwan Mobile Smarter Home ecosystem by integrating group applications and providing innovative products and services.

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

- (1) Enhance video content by developing more original series, introduce deep-learning recommendation models, and integrate smart speakers’ full functions to meet customers’ demand for entertainment by creating differentiated and personalized Smarter Home services.

- (2) Utilize 5G network to develop new applications and launch cloud gaming services with international partners to increase 5G penetration rate and ARPU.
- (3) Leverage the group's resources and services – including telecommunications, e-commerce, finance and sports – to provide users with diversified services and bring group synergy into full play.

## **Enterprise Business Group**

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

- (1) Keep developing services and total solutions that improve enterprise efficiency; strengthen cooperation with government agencies; combine 5G technical strengths with innovative application thinking; and gather 5G ecosystem partners to promote smart cities, self-driving cars, industrial innovation and upgrading, among others.
- (2) Provide complete cloud services to satisfy the requirements of different types of enterprises and establish a professional sales team.
- (3) Continue to develop products and services that assist enterprises in digital transformation and integrated service solutions that improve business efficiency.

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

In addition to operating telecommunications services, the Company is targeting simultaneous development of AIoT, ICT integration services, cloud, information security and a 5G test field through the following:

- (1) Establishing strategic alliances with partners, constructing an industrial ecosystem, working together to promote enterprise business solutions, improving corporate customer operating efficiency, and expanding overseas markets.
- (2) Integrating AIoT, cloud and other innovative applications to assist domestic industries and enterprises in upgrading, accelerating actual applications of AI, and seizing opportunities in the 5G era.
- (3) Integrating channels to raise sales productivity and increase customer satisfaction.

## **Home Business Group**

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

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

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

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

## **Retail Business**

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

- (1) E-commerce: Provide differentiated and value-added services by leveraging big data analysis to optimize product portfolios and recommend more personalized products to customers; deepen cooperation between momo and leading brands; and integrate offline and online loyalty programs.
- (2) TV home shopping: Enhance distribution channel's competitiveness by listing more branded products from overseas, cultivating fan bases on social platforms, such as Facebook and LINE, and cooperating with e-commerce suppliers to expand product offerings.

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

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

## **Market and Sales Overview**

### **Market analysis**

#### **Consumer Business Group**

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

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

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

As of October 2020, the mobile subscription penetration rate had reached 125%. Although the market is mature, 5G's commercialization offers exciting opportunities as demand for IoT, broadband, smart devices and value-added services surges.

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

###### **(1) Diversification strategy**

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

###### **(2) Innovative 5G services**

The Company provides customers integrated entertainment digital services, such as myVideo, MyMusic and myBook. Moreover, TWM works with partners in the ecosystem to launch new services, such as smart stadium, smart home and cloud gaming, in the 5G market.

## 4. Opportunities and challenges

### Positive factors

- (1) Lower-priced 5G devices will be readily available in the market.
- (2) High-quality video/audio content and innovative value-added applications will drive up demand for high-speed broadband.
- (3) An aging society and development of smart homes will create business opportunities.

### Negative factors

- (1) Users' calling behavior had changed, and telecoms' voice revenue is under pressure.
- (2) 4G unlimited data plans have become the mainstream. There is limited growth in mobile service revenue, while the cost of 5G network buildout is high.

### Countermeasures

- (1) 5G technologies will expand innovative services and applications, create user demand and increase new business opportunities.
- (2) The Company will continue to integrate resources, utilize big data analysis to predict target users, and pursue revenue growth through its Super 5G strategy.
- (3) TWM will form more partnerships with top global ICT vendors to develop exclusive smart care solutions. The Company rolled out the first NB-IoT based wearable devices in Taiwan, and aims to expand such care services in the future.

## Enterprise Business Group

### 1. Main products and service areas

EBG provides international services in 247 countries. As of the end of 2020, its roaming services covered the following: 3G: 185 countries, 353 networks; 4G: 112 countries, 195 networks; 5G: 11 countries, 14 networks.

### 2. Market status

In the post-pandemic era, the demand for more stable and secure network communication services would increase, spurring the development of 5G, cloud, information security and AIoT. In particular, IoT devices used in manufacturing, the medical industry, finance and retail have the greatest growth potential. With the trend toward digital transformation, telecom companies are abandoning traditional telecom services in favor of providing complete solutions for enterprises. In terms of traditional services, voice revenue has continued to decline, internet services are still popular, but revenue growth has slowed, while data communication service revenue has increased in recent years.

### 3. Competitive advantages

- (1) Premium brand equity and customer relationship: TWM provides customer-centric quality services. It has cultivated long-term and deep relationships with enterprise users, possesses a wealth of experience in assisting different types of customers, introduced diversified services, and won recognition among major enterprises.
- (2) Professional management team and efficient support group: TWM has an experienced direct sales and logistics team, and has obtained multiple information security certifications. Its cloud IDC computer room is also a data center that has won Uptime Tier III certifications for design, construction and operational sustainability.
- (3) 5G ecosystem vertical integration: TWM will continue to expand partners in the 5G ecosystem and leverage competitive advantages to assist customers in creating diversified solutions.

## 4. Opportunities and challenges

### Positive factors

- (1) 5G applications offer unlimited possibilities and business opportunities.
- (2) In the post-pandemic era, companies have turned to remote work and stepped up digital transformation. As this has also opened the door to hackers to steal confidential information or launch phishing or ransomware attacks, the demand for cloud and information security products is forecast to surge.
- (3) TrendForce predicts that in 2021, IoT would be deeply integrated with AI. Related applications would be specifically presented in two vertical applications – smart manufacturing and smart healthcare. TWM has been investing in related fields to seize market opportunities.

### Negative factors

- (1) The popularity of mobile data has seen local and long-distance calls replaced by free communication software.
- (2) Chunghwa Telecom has fixed network services and a scale advantage.

### Countermeasures

TWM will continue to develop various corporate communication integration services, deepen cooperation with existing partners, actively develop interdisciplinary alliance opportunities, strengthen vertical integration capabilities, and create more comprehensive 5G, IoT, cloud, information security, AI and other business solutions to help customers cover all bases and bolster client stickiness.

## Home Business Group

### 1. Main products and service areas

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

### 2. Market status

- (1) Cable TV

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

- (2) HD digital TV and broadband internet access

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

### 3. Competitive advantages

- (1) TWM offers high-speed broadband network and WiFi 6 transmission which, coupled with its rich digital content and value-added services, should drive digital TV revenue growth.



- (2) The Company can leverage off the group's rich and varied resources to offer innovative digital convergence products and services.

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

##### Positive factors

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

##### Negative factors

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

##### Countermeasures

- (1) TWM Broadband is observing developments in Taiwan's digital content industry and global industry trends, focusing on providing a richer assortment of digital channels and connected TV content.
- (2) After launching A1 Box, an open platform integrating cable TV channels and diverse OTT content, to meet market demand, TWM Broadband launched 1Gbps high-speed broadband service with WiFi 6, and HomeSecurity AI service for businesses, offering a complete range of surveillance and security services.

#### **Retail Business**

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

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

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

TV home shopping growth is limited due to declining viewership. On the other hand, B2C e-commerce topline growth is accelerating, bolstered by share gains from offline and continued expansion in mobile and streaming platforms.

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

- (1) Scale benefit: momo is the largest B2C e-commerce in Taiwan and continues to expand its leading position. Its bargaining power has increased, and more and more first-tier brands are doing direct business with momo, broadening its offerings of high-quality products.
- (2) Solid reputation: momo has built a solid reputation among suppliers and customers in the TV home shopping industry. Besides winning customers' confidence, it has enhanced suppliers' willingness to entrust their brands to the Company, boosting its product diversity.
- (3) Strong support from the group: momo is able to leverage the resources of affiliates to create opportunities in digital convergence, mobile platforms, mobile payment mechanisms and warehouse management system.

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

##### Positive factors

- (1) Mobile usage time and mobile shopping continue to increase.
- (2) E-commerce should continue to benefit from the development of 5G wireless broadband networks.

##### Negative factors

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

##### Countermeasures

- (1) momo has an extensive system of suppliers and a professional product development team. This facilitated its expansion into mobile and streaming platforms, as it already has a trove of best-selling products to tap into, which not only prolonged their product life cycle, but also increased sales volumes and differentiated it from the competition.
- (2) momo has an online shopping mobile app to tap into the mobile commerce market and optimize customer experience. By promoting limited time and live-stream promotions, momo is able to reach more consumers and stimulate buying willingness. The mobile platform also offers convenience, encouraging consumers to increase their shopping frequency.
- (3) momo has set up a quality control team to visit new suppliers' factories, outsource product testing to reduce food safety risks, filter out controversial products and clarify supplier responsibility to provide consumers with a safe place to shop.

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

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

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

## Major suppliers and customers in the past two years

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

### 1. Major suppliers

Unit: NT\$'000

		2019			2020			
	Company	Procurement amount	% of consolidated procurement	Nature of relationship	Company	Procurement amount	% of consolidated procurement	Nature of relationship
1	Company A	11,149,249	15	Third party	Company A	8,555,514	10	Third party
	Others	63,711,059	85		Others	76,771,168	90	
	Total	74,860,308	100		Total	85,326,682	100	

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

### 3. Reasons for variation

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

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

## Sales volume in the past two years

Services		2019		2020	
		Sales volume	Revenue (NT\$'000)	Sales volume	Revenue (NT\$'000)
Mobile	Mobile services ('000 subs at year-end)	7,178	43,133,841	7,264	39,946,961
Domestic fixed telephony	Local calls ('000 minutes) <sup>1</sup>	240,493	447,730	243,016	446,242
	Long distance calls ('000 minutes) <sup>1</sup>	84,381	65,883	85,360	60,932
International fixed telephony	International calls ('000 minutes) <sup>1</sup>	82,466	1,065,964	44,784	665,186
Fixed-line data transmission ('000 lines)		209	2,485,298	198	2,564,409
Sales revenue <sup>2</sup>		NA	68,983,292	NA	81,100,093
Others		NA	8,238,905	NA	8,077,161
Total			124,420,913		132,860,984

1: Outgoing minutes only.

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

## Human Resources

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

Year		2019	2020	2021 (as of February 26)
Number of employees	Consolidated	8,268	8,508	8,513
	Stand-alone	3,769	3,831	3,838
Education level	Ph.D.	0.18%	0.20%	0.21%
	Master's	13.43%	13.52%	13.54%
	University	58.97%	59.59%	59.58%
	College	16.10%	15.30%	15.33%
	Others	11.32%	11.39%	11.34%
Average age		37.63	38.08	38.21
Average years of service		7.82	8.19	8.33

## Environmental Protection Expenditure

### Loss or penalty due to environmental pollution in 2020 up to publication date in 2021

None.

#### Countermeasures:

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

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

## Employee Relations

### Employee behavior/ethical standards

The Company has established policies and rules to serve as guidelines for employee conduct, rights, responsibilities and ethical standards.

#### Delegation of authority

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

## **Work rules**

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

## **Divisional responsibilities**

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

## **Reward and punishment policies**

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

## **Employee assessment policy**

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

## **Attendance and leave policy**

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

## **Business confidentiality policy**

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

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

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

## **Code of Conduct**

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

## **Employee benefits program**

1. All employees are entitled to labor insurance, national health insurance and free group insurance coverage for employees and their spouses starting from the first day of work.
2. The Company has an employee share ownership trust (ESOT) and an employee profit-sharing plan.
3. The Company and its subsidiaries had established Employee Welfare Committees to handle and implement employee benefits programs. The committees are in charge of a number of benefits designed to raise employees' quality of life and

promote physical and mental well-being, including club activities, company outings, family day, benefits for special occasions, such as weddings, festivals and funerals, employee purchase discount, and subsidies for fitness centers.

4. The Company offers high subsidies for phone bills, purchase discounts for company products and flexible working hours, as well as provides maternity leave, sick leave and bereavement leave that surpass the requirements of Taiwan's labor law. Moreover, the company provides paid volunteer leave, flexible work hours, and implements work-from-home as a regular system.

## **Employee training and education program**

1. Training expenses up to January 31, 2021 totaled NT\$53,351,924, with 711,347 attendees taking a total of 335,636 training hours.
2. Orientation for new employees includes company profile, brand and organization, telecommunications market, innovative services, internal network systems, employee health and safety, IT security training and avenues for learning.
3. Core competency development: Develop basic competencies, such as self-management and work management, problem analysis and solution skills, creative thinking, communication and interaction skills, project management, knowledge of industry trends, basic telecommunications laws and code of ethics; hold service training programs; organize book clubs; invite celebrity speakers; and play humanist movies.
4. Management training and development: Separate training programs for entry-level management, middle management and senior management. Training courses include performance management, leadership, strategy management, innovative thinking, team dynamics, organizational development skills and corporate governance.
5. The Company arranges for employees to participate in different programs according to their professional knowledge and skills, including information technology, auditing, human resources, marketing, procurement, safety, finance, accounting and telecommunications technology. These activities have a profound impact on upgrading the Company's technologies, developing new products, introducing new and innovative ideas, and improving managerial skills.
6. The Company has a scholarship program for employees to develop their expertise in telecommunication technologies, digital technologies and business administration.
7. The Company sponsors external training courses for all employees annually. Employees can select courses that combine their personal interests and job needs to reap the maximum benefits from these training sessions.

## **Retirement plan and implementation**

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

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

As of January 2021, the accumulated reserve fund was NT\$628,148,000.

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

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

A total of NT\$157,406,000 was deposited in 2020.

### 3. Retirement policy

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

## **Employee safety and health policy**

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

1. Regulatory compliance: Follow all rules and regulations pertaining to occupational safety and health and conduct periodic reviews of compliance.
2. Risk control: Implement measures to identify safety risks at work to remove hazards and reduce occupational safety risk.
3. Consultation and communication: Enhance employee knowledge of the importance of health and safety, and encourage them to participate in and take responsibility for their personal health and safety.
4. Environment-friendly: Provide safe and healthy working conditions, prevent occupational injuries and safeguard health.
5. Performance evaluation: Conduct systematic evaluations of these measures to gauge their effectiveness and improve occupational safety and health standards.

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

1. Occupational Safety and Health Management System (ISO 45001: 2018) certification: Its aim is to constantly improve health and safety management in order to reduce risks in the workplace.
2. A unit dedicated to conducting environmental inspections and employee hygiene training courses was established in accordance with regulations.
3. An Occupational Safety and Health Committee was set up to meet every three months to draft a plan to prevent job injuries, ensure compliance and conduct periodic reviews of related rules to improve employee health and hygiene.
4. Full-time professional healthcare personnel are employed to perform health checks, track the progress of staff who failed their health examinations, and hold health care training program periodically. Employees who are able to administer first aid treatment have been placed in each work area.
5. Each office site is equipped with an automated external defibrillator and staffed with a sufficient number of first-aid personnel.
6. Fire/flood protection drills are held every six months to reduce risks of employee injury and property loss from natural disasters.
7. Guards and security systems have been installed at all main base stations and work offices to protect staff, property and information security.

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

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

## Losses caused by employee disputes in 2020 and up to publication date in 2021:

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

## Number of disabilities due to on-the-job injuries/fatalities in 2020 and up to publication date in 2021:

Year	2020	2021 (as of February 21)
Number of disabilities	2	0
Disabling Frequency Rate <sup>1</sup> (FR)	0.27	0
Disabling Severity Rate <sup>2</sup> (SR)	0.75	0

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

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

## Major Contracts

As of February 26, 2021

Nature	Counterpart	Contract period	Description	Restriction clauses
Long-term credit facility	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Taipei Branch	2018.07.30~2021.07.30	Long-term loan of NT\$2 billion	Non-disclosure
	Sumitomo Mitsui Banking Corp., Taipei Branch	2020.01.31~2022.01.31	Long-term loan of NT\$4 billion	Non-disclosure
	Mizuho Bank, Ltd., Taipei Branch	2020.04.14~2022.04.14	Long-term loan of NT\$4 billion	Non-disclosure
	China Bills Finance Corporation	2020.12.24~2023.12.24	Long-term loan of NT\$1.5 billion.	Non-disclosure
	China Bills Finance Corporation	2020.12.25~2023.12.25	Long-term loan of NT\$1.5 billion.	Non-disclosure
	Mega Bills Finance Co., Ltd.	2020.12.25~2023.12.25	Long-term loan of NT\$1.5 billion.	Non-disclosure
	Yuanta Commercial Bank Co., Ltd.	2020.12.31~2023.12.31	Long-term loan of NT\$2 billion.	Non-disclosure
Strategic alliance	Bridge Alliance	2004.11.03~present	Joined Bridge Alliance	Non-disclosure
Procurement	Apple Asia LLC	2019.06.01~2022.05.31	Procurement agreement for iPhone	Non-disclosure
		2020.11.01~2023.10.31	Procurement agreement for iPad	



	Samsung Electronics Taiwan Co., Ltd.	2019.11.01~2020.10.31	Sales and supply agreement	Non-disclosure
	OPPO Taiwan	2018.01.18~present	Distribution agreement	Non-disclosure
Procurement	Nokia Solutions and Networks Taiwan Co., Ltd.	2020.06.15~2023.05.31	5G equipment supply contract of NT\$13.743 billion	Non-disclosure

## Chapter 5 Financial Highlights

### Condensed Balance Sheets and Statements of Comprehensive Income

#### Consolidated condensed balance sheet (2016-2020)

Unit: NT\$'000

		2016	2017	2018	2019	2020
Current assets		34,280,112	32,351,117	29,068,887	29,905,700	32,092,794
Investments		5,412,671	6,049,714	6,199,506	6,723,913	4,256,640
Property, plant and equipment (PP&E)		42,415,229	41,603,421	38,855,960	36,182,005	42,479,314
Intangible assets		59,677,982	65,372,820	62,175,645	59,078,475	85,766,511
Other assets		9,591,411	9,145,682	11,367,030	22,029,866	19,989,343
Total assets		151,377,405	154,522,754	147,667,028	153,919,959	184,584,602
Current liabilities	Before appropriation	38,144,597	56,479,086	41,883,503	44,522,956	58,532,319
	After appropriation	53,388,252	71,722,741	57,249,726	57,873,424	(Note1)
Non-current liabilities		47,046,273	32,532,067	37,789,829	35,220,728	54,062,071
Total liabilities	Before appropriation	85,190,870	89,011,153	79,673,332	79,743,684	112,594,390
	After appropriation	100,434,525	104,254,808	95,039,555	93,094,152	(Note1)
Equity attributable to owners of the parent company		60,416,890	59,631,863	61,881,520	68,017,291	65,365,100
Paid-in capital		34,208,328	34,208,328	34,238,338	35,093,545	35,124,215
Capital surplus	Before appropriation	14,985,047	13,939,278	12,580,692	20,274,694	18,936,574
	After appropriation	13,917,991	12,306,029	12,580,692	18,681,070	(Note1)
Retained earnings	Before appropriation	41,630,893	41,564,304	44,875,215	41,927,491	43,471,394
	After appropriation	27,454,294	27,953,898	29,508,992	30,170,647	(Note1)
Other equity interests		(690,034)	(362,703)	(95,381)	438,905	(2,449,739)
Treasury stock		(29,717,344)	(29,717,344)	(29,717,344)	(29,717,344)	(29,717,344)
Non-controlling interest		5,769,645	5,879,738	6,112,176	6,158,984	6,625,112
Total equity	Before appropriation	66,186,535	65,511,601	67,993,696	74,176,275	71,990,212
	After appropriation	50,942,880	50,267,946	52,627,473	60,825,807	(Note1)

Note 1: The appropriation amount for 2020 still has to be approved at the AGM.

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

## Stand-alone condensed balance sheet (2016-2020)

Unit: NT\$'000

		2016	2017	2018	2019	2020
Current assets		22,561,728	21,583,398	17,738,839	16,835,738	16,039,175
Investments		42,250,372	43,077,320	43,791,521	45,171,026	47,242,230
Property, plant and equipment (PP&E)		27,081,627	24,193,665	22,249,874	19,711,168	25,327,616
Intangible assets		38,039,908	44,004,623	41,053,072	38,300,915	65,347,011
Other assets		8,715,470	8,110,376	10,229,894	19,087,499	16,914,811
Total assets		138,649,105	140,969,382	135,063,200	139,106,346	170,870,843
Current liabilities	Before appropriation	37,044,613	54,419,482	40,842,446	42,009,716	57,436,944
	After appropriation	52,288,268	69,663,137	56,208,669	55,360,184	(Note1)
Non-current liabilities		41,187,602	26,918,037	32,339,234	29,079,339	48,068,799
Total liabilities	Before appropriation	78,232,215	81,337,519	73,181,680	71,089,055	105,505,743
	After appropriation	93,475,870	96,581,174	88,547,903	84,439,523	(Note1)
Paid-in capital		34,208,328	34,208,328	34,238,338	35,093,545	35,124,215
Capital surplus	Before appropriation	14,985,047	13,939,278	12,580,692	20,274,694	18,936,574
	After appropriation	13,917,991	12,306,029	12,580,692	18,681,070	(Note1)
Retained earnings	Before appropriation	41,630,893	41,564,304	44,875,215	41,927,491	43,471,394
	After appropriation	27,454,294	27,953,898	29,508,992	30,170,647	(Note1)
Other equity interests		(690,034)	(362,703)	(95,381)	438,905	(2,449,739)
Treasury stock		(29,717,344)	(29,717,344)	(29,717,344)	(29,717,344)	(29,717,344)
Total equity	Before appropriation	60,416,890	59,631,863	61,881,520	68,017,291	65,365,100
	After appropriation	45,173,235	44,388,208	46,515,297	54,666,823	(Note1)

Note 1: The appropriation amount for 2020 still has to be approved at the AGM.

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

## Consolidated statements of comprehensive income (2016-2020)

Unit: NT\$'000

	2016	2017	2018	2019	2020
Operating revenue	116,647,498	117,171,107	118,732,328	124,420,913	132,860,984
Gross profit	37,856,980	35,725,991	34,416,594	32,808,735	31,445,736
Operating income	20,019,766	19,092,412	18,162,042	17,193,335	16,056,160
Non-operating income (expenses)	(828,294)	(1,461,129)	(472,825)	(611,525)	(598,369)
Pre-tax income	19,191,472	17,631,283	17,689,217	16,581,810	15,457,791
Net income	15,928,443	14,948,787	14,485,768	13,291,867	12,393,778
Other comprehensive income (after tax)	351,303	215,294	98,554	487,173	(853,669)
Comprehensive income	16,279,746	15,164,081	14,584,322	13,779,040	11,540,109
Profit attributable to owners of the parent company	15,320,187	14,192,176	13,642,172	12,481,167	11,286,553
Profit attributable to non-controlling interest	608,256	756,611	843,596	810,700	1,107,225
Comprehensive income attributable to owners of parent company	15,706,230	14,437,341	13,768,068	12,971,397	10,414,104
Comprehensive income attributable to non-controlling interest	573,516	726,740	816,254	807,643	1,126,005
EPS (NT\$)	5.63	5.21	5.01	4.51	4.01

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

## Stand-alone statements of comprehensive income (2016-2020)

Unit: NT\$'000

	2016	2017	2018	2019	2020
Operating revenue	80,543,403	73,612,276	65,545,627	62,426,270	56,890,204
Net gross profit	29,927,702	25,138,921	22,528,422	20,285,294	17,661,456
Operating income	15,401,232	12,094,034	10,465,707	9,198,843	7,598,398
Non-operating income (expenses)	2,369,009	3,672,554	5,071,356	4,963,642	5,043,606
Pre-tax income	17,770,241	15,766,588	15,537,063	14,162,485	12,642,004
Net income	15,320,187	14,192,176	13,642,172	12,481,167	11,286,553
Other comprehensive income (after tax)	386,043	245,165	125,896	490,230	(872,449)
Comprehensive income	15,706,230	14,437,341	13,768,068	12,971,397	10,414,104
EPS (NT\$)	5.63	5.21	5.01	4.51	4.01

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

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

Year	Accounting firm	Name of CPA	Opinion
2016	Deloitte & Touche	Li-Wen Kuo, Kwan-Chung Lai	Unqualified opinion
2017	Deloitte & Touche	Li-Wen Kuo, Kwan-Chung Lai	Unqualified opinion
2018	Deloitte & Touche	Li-Wen Kuo, Kwan-Chung Lai	Unqualified opinion
2019	Deloitte & Touche	Li-Wen Kuo, Kwan-Chung Lai	Unqualified opinion
2020	Deloitte & Touche	Pei-De Chen, Kwan-Chung Lai	Unqualified opinion

# Financial Analysis

## Consolidated financial analysis (2016-2020)

		2016	2017	2018	2019	2020
Financial structure	Liabilities to assets ratio (%)	56.28	57.60	53.95	51.81	61.00
	Long-term fund to PP&E ratio (%)	253.36	221.53	256.51	285.33	281.14
Solvency	Current ratio (%)	89.87	57.28	69.40	67.17	54.83
	Quick ratio (%)	77.88	48.71	58.59	53.39	43.86
	Interest coverage ratio (%)	2,949.77	2,883.04	3,039.18	2,984.90	2,598.88
Operations	Accounts receivable turnover (x)	5.55	5.85	14.08	14.81	15.66
	Average collection days	65.76	62.39	25.92	24.64	23.30
	Inventory turnover (x)	11.08	11.58	12.70	12.92	12.70
	Accounts payable turnover (x)	11.45	10.57	11.20	12.44	11.54
	Average days sales	32.94	31.51	28.74	28.25	28.74
	Property, plant and equipment turnover (x)	2.60	2.79	2.95	3.32	3.38
	Total asset turnover (x)	0.76	0.77	0.77	0.80	0.78
Profitability	Return on assets (%)	10.72	10.12	9.77	8.83	7.62
	Return on equity attributable to owners of the parent company (%)	25.54	23.64	21.84	19.21	16.92
	Return on Invested Capital (%)	13.26	12.43	12.11	11.43	9.46
	Pre-tax income as a % of paid-in capital	56.10	51.54	51.66	47.25	44.01
	Net income margin (%)	13.66	12.76	12.20	10.68	9.33
	EPS (NT\$)	5.63	5.21	5.01	4.51	4.01
Cash flow	Cash flow ratio (%) <sup>1</sup>	83.45	53.68	71.09	67.87	54.23
	Cash flow adequacy ratio (%)	99.82	100.84	107.37	112.96	121.06
	Cash reinvestment rate (%)	8.79	7.79	7.45	7.58	8.09
Leverage	Operating leverage	2.74	2.79	2.88	2.93	3.01
	Financial leverage	1.03	1.03	1.03	1.03	1.04

### Explanation of significant changes in 2020 compared with the previous year:

1. Cash flow ratio decreased in 2020 compared with 2019 due to an increase in debts.

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

## Stand-alone financial analysis (2016-2020)

		2016	2017	2018	2019	2020
Financial structure	Liabilities to assets ratio (%) <sup>1</sup>	56.42	57.70	54.18	51.10	61.75
	Long-term fund to PP&E ratio (%)	375.18	357.74	423.47	492.60	447.87
Solvency	Current ratio (%) <sup>1</sup>	60.90	39.66	43.43	40.08	27.92
	Quick ratio (%) <sup>1</sup>	50.07	33.15	37.24	31.97	23.17
	Interest coverage ratio (%)	2,887.46	2,716.04	2,700.99	2,603.12	2,145.09
Operations	Accounts receivable turnover (x)	4.56	3.97	9.33	9.32	8.53
	Average collection days	80.04	91.93	39.12	39.16	42.79
	Inventory turnover (x)	6.07	6.19	6.23	6.87	6.09
	Accounts payable turnover (x) <sup>2</sup>	14.38	13.32	17.67	27.34	20.79
	Average days sales	60.13	58.96	58.58	53.12	59.93
	Property, plant and equipment turnover (x)	2.69	2.87	2.82	2.98	2.53
	Total asset turnover (x)	0.57	0.53	0.47	0.44	0.37
Profitability	Return on assets (%)	11.26	10.51	10.08	9.14	7.60
	Return on equity (%)	25.54	23.64	21.84	19.21	16.92
	Return on Invested Capital (%)	12.12	11.28	10.83	10.02	8.20
	Pre-tax income as a % of paid-in capital	51.95	46.09	45.38	40.36	35.99
	Net profit margin (%)	19.02	19.28	20.81	19.99	19.84
	EPS (NT\$)	5.63	5.21	5.01	4.51	4.01
Cash flow	Cash flow ratio (%) <sup>1</sup>	60.67	38.65	48.50	48.38	35.97
	Cash flow adequacy ratio (%)	74.13	76.51	83.91	89.37	97.27
	Cash reinvestment rate (%) <sup>3</sup>	4.26	3.45	2.68	2.93	3.57
Leverage	Operating leverage	2.93	3.38	3.69	3.92	4.46
	Financial leverage	1.04	1.05	1.06	1.07	1.09

### Explanation of significant changes in 2020 compared with the previous year:

- Liabilities to assets ratio increased, while current ratio, quick ratio and cash flow ratio decreased in 2020 compared with 2019 due to the issuance of bonds and the increase in short-term notes and bills payable.
- Accounts payable turnover decreased in 2020 compared with 2019 due to higher average inventory in 2020.
- Cash reinvestment rate increased in 2020 compared with 2019 due to lower dividend payment and the capex growth amid 5G construction in 2020.

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

Note 1: The financial data for 2016-2020 have been duly audited by independent auditors.

Note 2: Formulas for the above tables:

#### Financial structure

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

#### Solvency

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

#### Operations

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

#### Profitability

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

#### Cash flow

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

#### Leverage

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

## Audit Committee Report

### Audit Committee Report

February 25, 2021

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2020 business report and financial statements to the Audit Committee. The CPA firm, Deloitte & Touche, was retained by the Board to audit TWM's financial statements and has issued an audit report relating to the financial statements. The business report and financial statements have been reviewed and determined to be correct and accurate by the Audit Committee of TWM. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Taiwan Mobile Co., Ltd.



Hsueh-Jen Sung

Chairman of the Audit Committee



**2020 Consolidated Financial Statements:**

Refer to the attachment.

**2020 Stand-alone Financial Statements:**

Refer to the attachment.

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

None

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

## Balance Sheet Analysis

### Consolidated balance sheet analysis

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

1. Investments decreased mainly due to the disposal of Taiwan High Speed Rail Corp shares.
2. Intangible assets increased mainly due to the acquisition of 5G spectrum.
3. Current liabilities and non-current liabilities increased mainly due to an increase in short-term notes and bills payable and the issuance of bonds respectively.

### 2019 - 2020 Consolidated Balance Sheet

Unit: NT\$'000, %

	2019	2020	YoY change	
			Amount	%
Current assets	29,905,700	32,092,794	2,187,094	7.31
Investments	6,723,913	4,256,640	(2,467,273)	(36.69)
Property, plant and equipment	36,182,005	42,479,314	6,297,309	17.40
Intangible assets	59,078,475	85,766,511	26,688,036	45.17
Other assets	22,029,866	19,989,343	(2,040,523)	(9.26)
Total assets	153,919,959	184,584,602	30,664,643	19.92
Current liabilities	44,522,956	58,532,319	14,009,363	31.47
Non-current liabilities	35,220,728	54,062,071	18,841,343	53.50
Total liabilities	79,743,684	112,594,390	32,850,706	41.20
Paid-in capital	35,093,545	35,124,215	30,670	0.09
Capital surplus	20,274,694	18,936,574	(1,338,120)	(6.60)
Retained earnings	41,927,491	43,471,394	1,543,903	3.68
Other equity and treasury stock	(29,278,439)	(32,167,083)	(2,888,644)	9.87
Non-controlling interests	6,158,984	6,625,112	466,128	7.57
Total equity	74,176,275	71,990,212	(2,186,063)	(2.95)

## Stand-alone balance sheet analysis

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

1. Property, plant and equipment increased mainly due to the construction of a 5G network.
2. Intangible assets increased mainly due to the acquisition of 5G spectrum.
3. Current liabilities and non-current liabilities increased mainly due to an increase in short-term notes and bills payable and the issuance of bonds respectively.

### 2019- 2020 Stand-alone Balance Sheet

Unit: NT\$'000, %

	2019	2020	YoY change	
			Amount	%
Current assets	16,835,738	16,039,175	(796,563)	(4.73)
Investments	45,171,026	47,242,230	2,071,204	4.59
Property, plant and equipment	19,711,168	25,327,616	5,616,448	28.49
Intangible assets	38,300,915	65,347,011	27,046,096	70.61
Other assets	19,087,499	16,914,811	(2,172,688)	(11.38)
Total assets	139,106,346	170,870,843	31,764,497	22.83
Current liabilities	42,009,716	57,436,944	15,427,228	36.72
Non-current liabilities	29,079,339	48,068,799	18,989,460	65.30
Total liabilities	71,089,055	105,505,743	34,416,688	48.41
Paid-in capital	35,093,545	35,124,215	30,670	0.09
Capital surplus	20,274,694	18,936,574	(1,338,120)	(6.60)
Retained earnings	41,927,491	43,471,394	1,543,903	3.68
Other equity and treasury stock	(29,278,439)	(32,167,083)	(2,888,644)	9.87
Total equity	68,017,291	65,365,100	(2,652,191)	(3.90)

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

**Preventive measures:** Not applicable

## Statements of Comprehensive Income Analysis

### Consolidated statements of comprehensive income

Explanation of significant changes in the past two years' operating revenue, operating income and income before tax:  
No significant changes.

#### 2019 - 2020 Consolidated Statements of Comprehensive Income

Unit: NT\$'000, %

	2019	2020	YoY change	
			Amount	%
Operating revenue	124,420,913	132,860,984	8,440,071	6.78
Operating costs	91,612,178	101,415,248	9,803,070	10.70
Gross profit	32,808,735	31,445,736	(1,362,999)	(4.15)
Operating expenses	16,115,167	15,722,141	(393,026)	(2.44)
Operating income	17,193,335	16,056,160	(1,137,175)	(6.61)
Non-operating income (expenses)	(611,525)	(598,369)	13,156	(2.15)
Income before tax	16,581,810	15,457,791	(1,124,019)	(6.78)
Net income	13,291,867	12,393,778	(898,089)	(6.76)

### Stand-alone statements of comprehensive income

Explanation of significant changes in the past two years' operating revenue, operating income and income before tax:  
No significant changes.

#### 2019 - 2020 Stand-alone Statements of Comprehensive Income

Unit: NT\$'000, %

	2019	2020	YoY change	
			Amount	%
Operating revenue	62,426,270	56,890,204	(5,536,066)	(8.87)
Operating costs	42,140,467	39,229,257	(2,911,210)	(6.91)
Net gross profit	20,285,294	17,661,456	(2,623,838)	(12.93)
Operating expenses	11,315,316	10,286,702	(1,028,614)	(9.09)
Operating income	9,198,843	7,598,398	(1,600,445)	(17.40)
Non-operating income (expenses)	4,963,642	5,043,606	79,964	1.61
Income before tax	14,162,485	12,642,004	(1,520,481)	(10.74)
Net income	12,481,167	11,286,553	(1,194,614)	(9.57)

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

In the early stages of 5G construction, TWM's financial performance will inevitably be affected by higher amortization costs for 5G spectrum and network construction, along with expenses for business promotions. The Company will continuously work on enriching content offerings, developing 5G-exclusive value-added applications, and providing various types of collaborative services with international groups. This will boost our revenue and profit by enhancing 5G penetration rate as well as value-added services.

## Cash Flow Analysis

### Consolidated cash flow analysis

Increase in cash outflow from investment activities: Cash outflow increased mainly due to the payment of 5G spectrum.

Increase in cash inflow from financing activities: Cash inflow increased mainly due to the Issuance of bonds and the increase of short-term notes and bills payable.

#### 2019 - 2020 Consolidated Cash Flow Statement

Unit: NT\$'000, %

	2019	2020	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	30,216,415	31,742,522	1,526,107	5.05
Cash inflow (outflow) from investment activities	(8,373,281)	(39,320,539)	(30,947,258)	369.60
Cash inflow (outflow) from financing activities	(20,674,495)	9,690,785	30,365,280	NM
Impact from changes in exchange rate	(3,979)	1,653	5,632	NM
Net cash increase (decrease)	1,164,660	2,114,421	949,761	81.55

### Stand-alone cash flow analysis:

Increase in cash outflow from investment activities: Cash outflow increased mainly due to the payment of 5G spectrum.

Increase in cash inflow from financing activities: Cash inflow increased mainly due to the Issuance of bonds and the increase of short-term notes and bills payable.

#### 2019 - 2020 Stand-alone Cash Flow Statement

Unit: NT\$'000, %

	2019	2020	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	20,323,058	20,658,925	335,867	1.65
Cash inflow (outflow) from investment activities	(966,995)	(35,107,734)	(34,140,739)	3,530.60
Cash inflow (outflow) from financing activities	(19,502,491)	14,718,248	34,220,739	NM
Net cash increase (decrease)	(146,428)	269,439	415,867	NM

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

### Projected consolidated cash flow for 2021

1. Projected cash inflow from operating activities: Expected to remain relatively stable
2. Projected cash outflow from investment activities: For capital expenditure
3. Projected cash inflow from financing activities: From cash dividend distribution

#### 2021 Consolidated Projected Cash Flow

Unit: NT\$'000

Cash balance, beginning of the year (1)	Forecast net cash inflow from operations (2)	Forecast cash outflow from investment and financing activities (3)	Cash balance, end of the year (1) + (2) - (3)	Source of funding for negative cash balance	
				Cash inflow from investment activities	Cash inflow from financing activities
10,777,791	29,983,452	29,919,826	10,841,417	—	—

**Source of Funding for Negative Cash Flow in 2021:** Not applicable

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

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

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

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

In 2020, on a consolidated basis, TWM's investment income from long-term investments under the equity method amounted to NT\$99,891 thousand as the operations of said investments stabilized. For future investments, TWM will continue to make decisions based on prudent strategic assessments.

## **Risk Management**

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

1. Impact of interest rate fluctuations

Interest rate fluctuations had a minimal impact on TWM's 2020 short-term bank borrowings, as interest rates remained low and stable. The Company has mid-term loan facilities with banks and mid-to-long-term straight bond issuances to lock in mid-to-long-term interest rates and minimize impacts from interest rate fluctuations.

2. Impact of exchange rate fluctuations

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

3. Impact of inflation

Inflation had a minor impact on the Company's operating performance in 2020 up to the publication date in 2021.

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

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

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

3. Derivatives transaction: None.

## Future research and development plans

Project name	Objective
House of Gamers	Establish a social network for mobile game players to compete, communicate and interact to boost player enthusiasm and stickiness in order to extend the life cycle of a mobile game.
Digital sales stores	Develop a mobile app to support merchandise inventory management and information inquiry in order to increase the operational efficiency of direct store agents.
M+	Improve cross-office collaboration and integrate Cloud PBX to enrich voice communication so as to expand our enterprise customer base.
myVideo	Provide new types of content, such as multiple-screen live streaming and multiple-plot videos. Integrate video service with smart speaker, develop 5G video applications, and provide more AR/VR services.
Smarter Home	Provide services to enable hands-free calling using Google Nest speaker. Integrate more diversified home appliances and devices into our Smarter Home ecosystem.
MyMusic	Build an end-to-end Podcast platform and develop music-related live streaming app.
momo's intelligent customer service platform upgrade	Upgrade platform with the addition of an intelligent customer service system to improve service quality and timeliness of response, deal with customers' problems efficiently, reduce manpower and increase customer satisfaction.

## Expected research and development expenses

The projected research and development expense for 2021 is NT\$253,193 thousand.

## Regulatory changes and developments

### 1. The National Communications Commission (NCC) on Sept. 9, 2020, approved the transition of Taiwan Mobile (the Company) and Taiwan Fixed Network to the Telecommunications Management Act

#### (1) Status

The company may apply the new laws and regulations, which are conducive to the effective use of resources, such as frequency sharing, network leasing or combination, and need not apply to the NCC for tariff adjustments and promotions.

#### (2) Countermeasures

The Company will integrate network and frequency resources in accordance with the intent of the law to provide users with better service quality.

### 2. The Executive Yuan to establish ministry of digital development in 2021-2022

#### (1) Status

In order to promote the six core strategic industries, President Tsai Ing-wen announced during her inauguration on May 20 plans to establish a ministry of digital development. The ministry would supervise and draft policies relating to information, cybersecurity, telecommunications, internet and communication. The Executive Yuan is working on the ministry's organizational structure and functions, some of which are currently spread across several government agencies, including the NCC, the National Development Council, the Department of Posts and Telecommunications, the Technology Division of the Ministry of Economic Affairs, the Electricity Resources Group of the Industrial Bureau, and the Information Security Division of the Executive Yuan.

#### (2) Countermeasures

The Company will pay close attention to the progress of the organizational changes.

**3. The NCC amended the “Standards for the Usage Fees of Radio Frequency” on August 25, 2020**

(1) Status

The NCC has amended the usage fees of radio frequency per MHz, the annual adjustment factor and the coverage factor, as well as added a discount fee for participating in vertical application services to reduce the cost of frequency usage fees for operators.

(2) Countermeasures

The Company will invest in network construction and optimizing network coverage in remote areas, as well as cooperate with other industries to develop innovative vertical applications to maximize economic benefits.

**4. The NCC announced the draft “Internet Audiovisual Service Management Act” on July 22, 2020**

(1) Status

The proposed bill to regulate over-the-top services stipulates a voluntary registration mechanism. However, it would also authorize NCC to require OTT operators to register after assessing factors such as the number of users, turnover, click flow, internet traffic volume, market influence, and other matters that significantly affect public interests. To prevent China-based OTT operators from illegally providing such services, either by themselves or through an agent, without obtaining permission in accordance with the Act Governing Relations between the People of the Taiwan Area and the Mainland Area, the bill stipulates that telecom operators and related internet service providers should not provide equipment or service to such OTT operators. Violators would be fined.

(2) Countermeasures

The Company is closely monitoring the progress of the proposed bill and continues to communicate with the NCC in hopes of maintaining a regulatory environment conducive to the industry's development.

**5. The NCC on April 1, 2020 approved Chunghwa Telecom’s plan to reduce wholesale IP peering price**

(1) Status

Using the average price in the Asia-Pacific region as a reference, the NCC approved Chunghwa Telecom’s new wholesale pricing scheme, which lowered the private peering price of IP network interconnections by 10.84%, from NT\$83 per Mbps to NT\$74 per Mbps. This scheme took effect retroactively on April 1, 2020.

(2) Countermeasures

The Company offers various digital economy services to satisfy clients’ needs.

**6. The NCC on December 14, 2020 announced the reduction of mobile termination rates**

(1) Status

To boost the mobile market’s competitiveness, the NCC has implemented a three-year (January 1, 2021 to June 30, 2023) scheme to lower the mobile termination rate, which is to be reduced by 22.4% over three years from NT\$0.571 per minute to NT\$0.443 per minute.

(2) Countermeasures

Voice demand for mobile services has been declining. The Company will continue to promote 5G and value-added services to improve user experience and increase profit.



## Technology changes and development

### 1. Mobile broadband access network

TWM aggressively deployed 4G/5G mobile broadband networks to respond to technology and industry changes:

- a) In response to the growth of mobile broadband demand, TWM launched 5G services on June 30, 2020, and by the end of 2020 covered more than 60% of the administrative districts in Taiwan with 4G/5G dual-connectivity service to improve network speed and capacity.
- b) TWM deployed and optimized the intelligent power-saving function of LTE base stations to extend its power-saving mode during low traffic periods to save energy.
- c) TWM will continue to invest in 5G New Radio (NR) technology to promote industrial development, meet consumer demand, save on operating costs and enhance shareholders' rights by providing more diverse applications and a brand-new smart life experience.

### 2. IDC and cloud related services

#### (1) Status

The Market Intelligence and Consulting Institute predicted that 2021 would be a transformative year for the telecom industry, as the COVID-19 pandemic, the US-China technology war and the commercialization of 5G around the world would spur dramatic changes in telecom products/technology, industry competition and business models. Products and technologies, such as 5G mobile phones, Wi-Fi 6 and OTT, would accelerate industrial upgrades. IoT, AI, cloud computing, edge computing and 5G would continue to play a key role in the tech industry's development. These technologies would interact with one another, such as the evolution of computing architectures driven by cloud and edge computing, fueled by the high bandwidth and low latency of 5G networks. Such technological evolutions would lead to growing demand for data centers, while security vulnerabilities would result in more stringent requirements for data centers. Organizations will have to adopt more policies and security measures relating to data center equipment, services, contractors, suppliers and staff. Climate change is also forcing a fresh review of resiliency planning.

#### (2) Countermeasures

TWM combined 5G and cloud computing to deepen its penetration into the hybrid cloud market. Leveraging its own 5G public network deployment and maintenance experience, TWM became a leader in 5G private network deployment. To satisfy the demand for tightened data center security, TWM's infrastructure as a service (IaaS) received ISO 27018 certification for personal information security. The Company also developed a resiliency plan to address the threat of climate change. Its data center received not only ISO 14001 certification for environmental management, but also the Green Grid Power Usage Effectiveness (PUE) silver certification for achieving a PUE of 1.5. Green electricity was also introduced to further reduce carbon emissions. As for data center services, TWM's strategy is to cooperate with world-class public cloud vendors and deliver a complete portfolio of public cloud services to enterprises. TWM is also developing AI solutions, enhancing information security, service quality and cloud services, and complementing them with a world-class cloud IDC infrastructure.

### Impact of changes in brand image on the Company's risk management policies in 2020 up to publication date in 2021:

The Company has long built up a sound image among investors and customers for its continuing efforts to enhance corporate governance, network communication quality and customer service, as well as to fulfill its corporate social responsibility. These efforts won numerous recognitions and awards in 2020 (please refer to Chapter 1) and should aid the Company in preventing, controlling and managing latent risks that it might face and help it maintain its good corporate image.

**Expected benefits and risks from mergers in 2020 up to publication date in 2021:**  
None.

**Expected benefits and risks related to plant facility expansions in 2020 up to publication date in 2021:**

Not applicable as the Company is not a manufacturer.

**Risks from supplier and buyer concentration in 2020 up to publication date in 2021:**

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

**Significant changes in shareholdings of directors and major shareholders in 2020 up to publication date in 2021:** None.

**Changes in management controls in 2020 up to publication date in 2021:** None.

**Significant lawsuits and non-litigious matters in 2020 up to publication date in 2021**

## 1. The Company:

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

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

**Grounds for Lawsuit:**

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

**Status:**

In May 2016, the Taipei District Court ("District Court") ruled that: (i) the Company received an unfavorable judgment on the claims stated in sections (a) to (c); (ii) FET received an unfavorable judgment on the claim stated in section (d). The Company and FET filed their respective appeals with the Taiwan High Court ("High Court").

The High Court in January 2018 ruled as follows:

- (1) The District Court judgment in connection with the following items was dismissed:
  - (i) the unfavorable judgment against the Company on the claims stated in sections (a) to (c), and the corresponding portion that FET claimed provisional execution; and
  - (ii) the unfavorable judgement against FET on the claim stated in section (d), the corresponding portion of provisional execution, and litigation expenses.
- (2) For the dismissed portion stated in section 1(i), FET's claim and the motion of provisional execution in the first instance were rejected.
- (3) For the dismissed portion stated in section 1(ii), the Company shall pay FET NT\$765,779,233, as well as a 5% annual interest payment on NT\$152,583,658 of the above amount starting from September 5, 2015 to the payment date.

The Company appealed the High Court's ruling to the Supreme Court. In May 2019, the Supreme Court ruled that in regard to the portion of the High Court's original judgment (1) dismissing FET's other appeal, (2) ruling on the Company's payment obligation, and (3) ruling on litigation expenses with respect to the aforementioned two items, shall be dismissed and the case shall be remanded to the High Court.

The High Court in August 2020 ruled as follows:

- (1) The District Court judgment in connection with the following items were dismissed: the claim stated in the following section 2, the corresponding portion of provisional execution that FET claimed, and litigation expenses (except the part on final and binding judgment).
- (2) For the dismissed portion stated in the above section 1, TWM shall pay FET NT\$242,153,783, as well as a 5% p.a. interest payment on NT\$99,468,550 for the period starting from July 21, 2017 to the payment date.
- (3) The rest of the appeals was rejected.
- (4) FET shall bear 75 percent of the litigation expenses in the first and the second trials (except for the part on final and binding judgment), as well as the second and the third trials prior to the remand; TWM shall bear the rest.
- (5) Regarding the portion of TWM's payment as ruled, FET might file a provisional execution with a collateral of NT\$80,720,000; and TWM may provide a counter-security of NT\$242,153,783 to be exempt from the above provisional execution by FET.

The Company appealed the High Court's ruling to the Supreme Court. The lawsuit is pending in the Supreme Court.

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

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

**Other major risks and countermeasures**

In terms of information security and privacy protection, the telecommunications industry has a huge trove of personal data. If it is accidentally leaked, the Company could be held legally responsible and it could seriously damage the Company's reputation.

Countermeasures:

TWM has implemented the ISO/IEC 27001 – Information Security Management System (ISMS) and BS 10012 – Personal Information Management System (PIMS), certified by the SGS. The Company's Personal Information and Security Committee reviews the security and personal information protection policies on a quarterly basis and reports the results of ISMS and PIMS to the board of directors. The Company also purchased cybersecurity insurance for further and advanced customer data protection. To ensure a four-dimensional protection of users' personal data and internal confidential data, the Company has implemented the following:

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

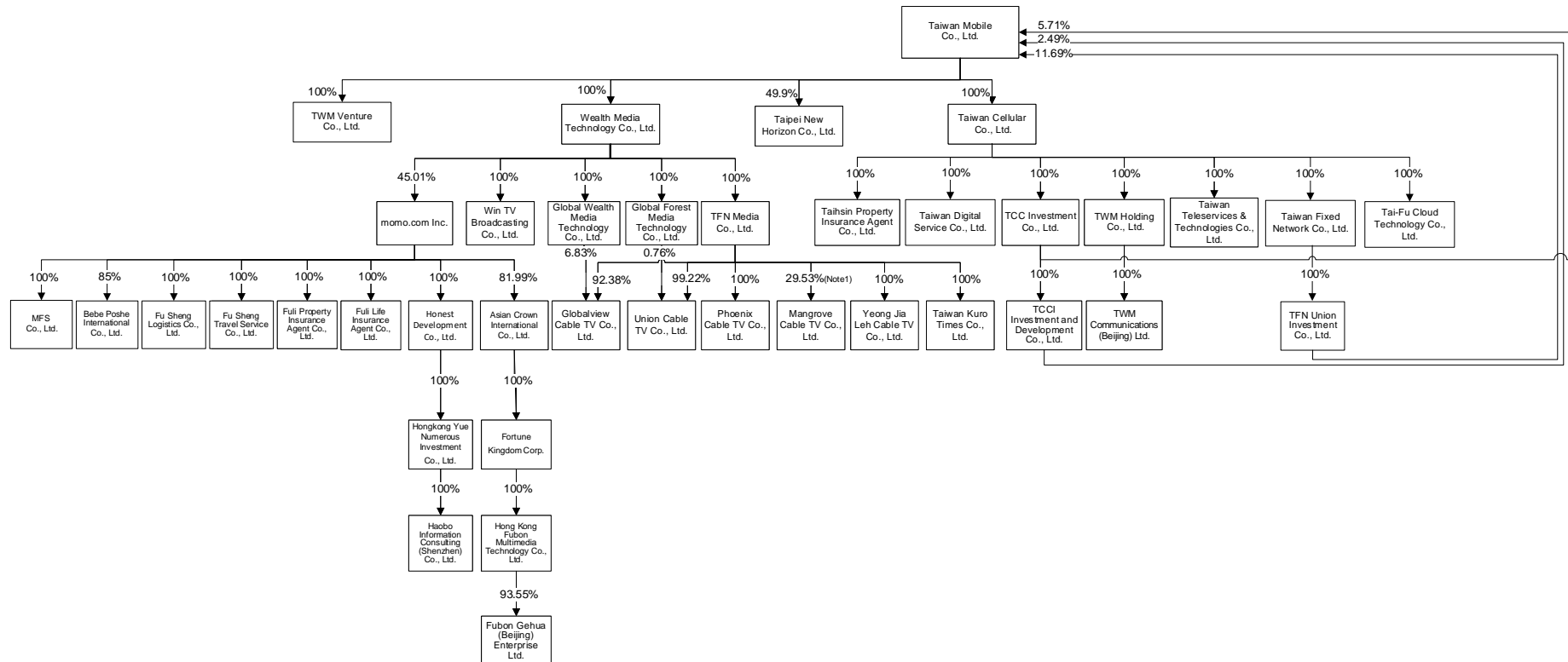
**Other significant items:** None

# Chapter 7 Special Notes

## Affiliates

### 1. Investment holding structure

As of December 31, 2020



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

## 2. Affiliates' profile

As of December 31, 2020; Unit: NT\$ (unless otherwise stated)

Name	Date of incorporation	Address	Paid-in capital	Main business
Taiwan Cellular Co., Ltd.	2005.09.20	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	5,029,703,090	Investment
Wealth Media Technology Co., Ltd.	2007.08.07	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	420,650,000	Investment
TWM Venture Co., Ltd.	2019.09.20	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	1,605,000,000	Investment
Taipei New Horizon Co., Ltd.	2009.01.07	6F, No. 88, Yanchang Rd., Xinyi District, Taipei	3,845,000,000	Building and operating Songshan Cultural and Creative Park BOT project
Taiwan Fixed Network Co., Ltd.	2007.01.30	4F, No. 111, Dunhua S. Rd., Sec. 1, Da-an District., Taipei	21,000,000,000	Fixed-line service provider
Taiwan Teleservices & Technologies Co., Ltd.	2001.06.08	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	24,843,000	Call center service and telephone marketing
TWM Holding Co. Ltd.	2006.06.09	Arias, Fabrega & Fabrega Trust Co., BVI Ltd. 325 Waterfront Drive, Road Town, Tortola, British Virgin Islands	US\$ 1	Investment
TCC Investment Co., Ltd.	2009.08.10	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	1,547,213,080	Investment
Taiwan Digital Service Co., Ltd.	2013.04.02	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	25,000,000	Commissioned maintenance service
Taihsin Property Insurance Agent Co., Ltd.	2017.12.29	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	5,000,000	Property insurance agent
Tai-Fu Cloud Technology Co., Ltd.	2018.01.11	4F, No. 111, Dunhua S. Rd., Sec. 1, Da-an District., Taipei	200,000,000	Type II telecommunications business
TFN Media Co., Ltd.	2005.01.25	11F, No. 98, Zhouzi St., Neihu District, Taipei	2,309,213,040	Type II telecommunications business
Global Forest Media Technology Co., Ltd.	2008.12.26	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	15,000,000	Investment
Global Wealth Media Technology Co., Ltd.	2007.10.26	1F, No. 206, Datong Rd., Sec. 2, Xizhi District, New Taipei City	89,448,670	Investment
Win TV Broadcasting Co., Ltd.	2005.10.17	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	181,773,820	TV program provider
momo.com Inc.	2004.09.27	4F, No 96, Zhouzi St., Neihu District, Taipei	1,400,585,000	Wholesale and retail sales
TFN Union Investment Co., Ltd.	2009.09.22	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	4,000,000	Investment
TWM Communications (Beijing) Ltd.	2002.09.17	Room 2106, No. 9, Beisihuan West Rd., Haidian District, Beijing, China	US\$ 3,000,000	Mobile application development and design
TCCI Investment and Development Co., Ltd.	2009.09.22	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	1,047,120,000	Investment
Taiwan Kuro Times Co., Ltd.	2009.02.11	12F, No. 88, Yanchang Rd., Xinyi District, Taipei	147,000,000	Digital music service
Yeong Jia Leh Cable TV Co., Ltd.	1994.09.26	10F, No. 651-5, Zhongzheng Rd., Xinzhuang District, New Taipei City	339,400,000	Cable TV service provider
Mangrove Cable TV Co., Ltd.	1996.01.23	5F, No. 33, Lane 3, Zhongzheng E., Sec. 1,	211,600,000	Cable TV service provider

Name	Date of incorporation	Address	Paid-in capital	Main business
		Danshui District, New Taipei City		
Phoenix Cable TV Co., Ltd.	1996.08.22	No. 312, Fongping 1st Rd., Daliao District, Kaohsiung	680,901,980	Cable TV service provider
Union Cable TV Co., Ltd.	2005.02.04	No.179, Nujhong Rd., Sec. 1, Yilan City, Yilan County	1,704,632,800	Cable TV service provider
Globalview Cable TV Co., Ltd.	1995.11.25	No. 206, Datong Rd., Sec. 2, Xizhi District, New Taipei City	560,000,000	Cable TV service provider
Asian Crown International Co., Ltd.	2009.01.07	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US\$ 11,873,735	Investment
Honest Development Co., Ltd.	2015.01.23	Maystar Chamber, P.O. Box 3269, Apia, Samoa	US\$ 21,778,413	Investment
Fuli Life Insurance Agent Co., Ltd.	2005.12.27	7F, No. 98, Zhouzi St., Neihu District, Taipei	5,000,000	Life insurance agency
Fuli Property Insurance Agent Co., Ltd.	2006.01.03	7F, No. 96, Zhouzi St., Neihu District, Taipei	5,000,000	Property insurance agency
Fu Sheng Travel Service Co., Ltd.	2004.12.16	7F, No. 92, Zhouzi St., Neihu District, Taipei	30,000,000	Travel agency
Bebe Poshe International Co., Ltd.	2010.01.07	4F, No. 92, Zhouzi St., Neihu District, Taipei	100,000,000	Wholesale of cosmetics
Fu Sheng Logistics Co., Ltd.	2020.02.15	8F, No 96, Zhouzi St., Neihu District, Taipei	250,000,000	Logistics industry
MFS Co., Ltd.	2020.07.30	14F.-6, No.1, Zhanqian, Miaoli City, Miaoli County	100,000,000	Wholesaling
Fortune Kingdom Corporation	2009.01.06	Maystar Chamber, P.O. Box 3269, Apia, Samoa	US\$ 11,594,429	Investment
Hong Kong Fubon Multimedia Technology Co., Ltd.	2010.03.18	Unit 06, G/F, The Lodge, 535 Canton Road, Kowloon, Hong Kong	US\$ 11,594,429	Investment
Hongkong Yue Numerous Investment Co., Ltd.	2015.03.12	Unit 06, G/F, The Lodge, 535 Canton Road, Kowloon, Hong Kong	HK\$ 16,600,000	Investment
Haobo Information Consulting (Shenzhen) Co., Ltd.	2008.11.14	3207A, Building A, Xinghe Century Building, 3069 CaiTian Road, Gangxia Community, Futian Street, Futian District, Shenzhen City	RMB 11,000,000	Investment
Fubon Gehua (Beijing) Enterprise Ltd.	2010.12.08	Room 201, Zone A, Floor 2, Building 3, Yard 1, Yaojiayuan South road, Chaoyang District, Beijing	RMB 77,500,000	Wholesaling

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

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

The Company's affiliates have set digital convergence as their core strategy across all businesses: telecommunications, cable TV, e-commerce, media and entertainment. Abundant resources allow us to conduct both online and offline commerce, product bundling and cross selling by leveraging Group synergy.

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

As of December 31, 2020; Unit: share (unless otherwise stated), %

Company name	Title	Name of Representative	Shares	%
Taiwan Cellular Co., Ltd.	Chairman	Taiwan Mobile Co., Ltd. Representative: Daniel M. Tsai	502,970,309	100.00%
	Director	Taiwan Mobile Co., Ltd. Representative: Richard M. Tsai	502,970,309	100.00%
	Director	Taiwan Mobile Co., Ltd. Representative: Jamie Lin	502,970,309	100.00%
	Supervisor	Taiwan Mobile Co., Ltd. Representative: Rosie Yu	502,970,309	100.00%
	President	Jamie Lin	-	-
Wealth Media Technology Co., Ltd.	Chairman	Taiwan Mobile Co., Ltd. Representative: Daniel M. Tsai	42,065,000	100.00%
	Director	Taiwan Mobile Co., Ltd. Representative: Jamie Lin	42,065,000	100.00%
	Supervisor	Taiwan Mobile Co., Ltd. Representative: Rosie Yu	42,065,000	100.00%
	President	Jamie Lin	-	-
TWM Venture Co., Ltd.	Chairman	Taiwan Mobile Co., Ltd. Representative: Daniel M. Tsai	160,500,000	100.00%
	Director	Taiwan Mobile Co., Ltd. Representative: Richard M. Tsai	160,500,000	100.00%
	Supervisor	Taiwan Mobile Co., Ltd. Representative: Rosie Yu	160,500,000	100.00%
	President	Jamie Lin	-	-
Taipei New Horizon Co., Ltd.	Chairman	Taiwan Mobile Co., Ltd. Representative: Daniel M. Tsai	191,865,500	49.90%
	Director	Taiwan Mobile Co., Ltd. Representative: Jamie Lin	191,865,500	49.90%
	Director	Fubon Land Development Co., Ltd. Representative: Charles Hsueh	192,634,500	50.10%
	Director	Fubon Land Development Co., Ltd. Representative: Chris Tsai	192,634,500	50.10%
	Director	Fubon Land Development Co., Ltd. Representative: Liang-Cheng Sung	192,634,500	50.10%
	Supervisor	Ariel Hwang	-	-
	President	Liang-Cheng Sung	-	-
Taiwan Fixed Network Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: Daniel M. Tsai	2,100,000,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Richard M. Tsai	2,100,000,000	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Rosie Yu	2,100,000,000	100.00%
	President	Jamie Lin	-	-
Taiwan Teleservices & Technologies Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: Jamie Lin	2,484,300	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Daniel M. Tsai	2,484,300	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Rosie Yu	2,484,300	100.00%
	President	Steve Chou	-	-
TWM Holding Co., Ltd.	Director	Rosie Yu	US\$ 1	100.00%
	President	(Note 1)		
TCC Investment Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: Daniel M. Tsai	154,721,308	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Richard M. Tsai	154,721,308	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Rosie Yu	154,721,308	100.00%
	President	Jamie Lin	-	-
Taiwan Digital Service Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: Jamie Lin	2,500,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Daniel M. Tsai	2,500,000	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Rosie Yu	2,500,000	100.00%
	President	Michael Teng	-	-
Taihsin Property Insurance Agent Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: Daniel M. Tsai	500,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Jamie Lin	500,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: C.H. Wu	500,000	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Jean Chang	500,000	100.00%

Company name	Title	Name of Representative	Shares	%
	President	Rita Kuo	-	-
Tai-Fu Cloud Technology Co., Ltd.	Chairman	Taiwan Cellular Co., Ltd. Representative: C.H. Wu	20,000,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Allen Liou	20,000,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Rocky Wen	20,000,000	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Rita Kuo	20,000,000	100.00%
	President	C.H. Wu	-	-
TFN Media Co., Ltd.	Chairman	Wealth Media Technology Co., Ltd. Representative: Daniel M. Tsai	230,921,304	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: Jamie Lin	230,921,304	100.00%
	Supervisor	Wealth Media Technology Co., Ltd. Representative: Rosie Yu	230,921,304	100.00%
	President	Jamie Lin	-	-
Global Forest Media Technology Co., Ltd.	Chairman	Wealth Media Technology Co., Ltd. Representative: Jamie Lin	1,500,000	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: Tom Koh	1,500,000	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: C.H. Wu	1,500,000	100.00%
	Supervisor	Wealth Media Technology Co., Ltd. Representative: Rosie Yu	1,500,000	100.00%
	President	Jamie Lin	-	-
Global Wealth Media Technology Co., Ltd.	Chairman	Wealth Media Technology Co., Ltd. Representative: Jamie Lin	8,944,867	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: Rosie Yu	8,944,867	100.00%
	Supervisor	Wealth Media Technology Co., Ltd. Representative: Rita Kuo	8,944,867	100.00%
	President	Jamie Lin	-	-
Win TV Broadcasting Co., Ltd.	Chairman	Wealth Media Technology Co., Ltd. Representative: Jamie Lin	18,177,382	100.00%
	Director	Wealth Media Technology Co., Ltd. Representative: Daniel M. Tsai	18,177,382	100.00%
	Supervisor	Wealth Media Technology Co., Ltd. Representative: Rosie Yu	18,177,382	100.00%
	President	Jing-Yi Chen	-	-
momo.com Inc.	Chairman	Wealth Media Technology Co., Ltd. Representative: C.F. Lin	63,047,205	45.01%
	Director	Wealth Media Technology Co. Ltd. Representative: Jeff Ku	63,047,205	45.01%
	Director	Wealth Media Technology Co. Ltd. Representative: Jamie Lin	63,047,205	45.01%
	Director	Wealth Media Technology Co. Ltd. Representative: Rosie Yu	63,047,205	45.01%
	Director	Wealth Media Technology Co. Ltd. Representative: Chris Tsai	63,047,205	45.01%
	Director	Tong-An Investment Co., Ltd. Representative: Mao-Hsiung Huang	15,050,000	10.75%
	Independent Director	Chieh Wang	-	-
	Independent Director	Brian Y. Hsieh	-	-
	Independent Director	Hong-So Chen	-	-
	President	Jeff Ku	2,000	0.0014%
TFN Union Investment Co., Ltd.	Chairman	Taiwan Fixed Network Co., Ltd. Representative: Daniel M. Tsai	400,000	100.00%
	Director	Taiwan Fixed Network Co., Ltd. Representative: Richard M. Tsai	400,000	100.00%
	Supervisor	Taiwan Fixed Network Co., Ltd. Representative: Rosie Yu	400,000	100.00%
	President	Jamie Lin	-	-
TWM Communications (Beijing) Ltd.	Chairman	TWM Holding Co., Ltd. Representative: Tom Koh	US\$ 3,000,000	100.00%
	Director	TWM Holding Co., Ltd. Representative: James Chang	US\$ 3,000,000	100.00%
	Director	TWM Holding Co., Ltd. Representative: C.H. Wu	US\$ 3,000,000	100.00%
	Supervisor	TWM Holding Co., Ltd. Representative: Rosie Yu	US\$ 3,000,000	100.00%
	President	Tom Koh	-	-
TCCI Investment and Development Co., Ltd.	Chairman	TCC Investment Co., Ltd.. Representative: Daniel M. Tsai	104,712,000	100.00%



Company name	Title	Name of Representative	Shares	%
	Director	TCC Investment Co., Ltd. Representative: Richard M. Tsai	104,712,000	100.00%
	Supervisor	TCC Investment Co., Ltd. Representative: Rosie Yu	104,712,000	100.00%
	President	Jamie Lin	-	-
Taiwan Kuro Times Co., Ltd.	Chairman	TFN Media Co., Ltd. Representative: Jamie Lin	14,700,000	100.00%
	Director	TFN Media Co., Ltd. Representative: Rosie Yu	14,700,000	100.00%
	Director	TFN Media Co., Ltd. Representative: Daphne Lee	14,700,000	100.00%
	Supervisor	TFN Media Co., Ltd. Representative: Tom Koh	14,700,000	100.00%
	President	Daphne Lee	-	-
Yeong Jia Leh Cable TV Co., Ltd.	Chairman	TFN Media Co., Ltd. Representative: Jamie Lin	33,940,000	100.00%
	Director	TFN Media Co., Ltd. Representative: Rosie Yu	33,940,000	100.00%
	Director	TFN Media Co., Ltd. Representative: Tom Koh	33,940,000	100.00%
	Director	TFN Media Co., Ltd. Representative: C.H. Wu	33,940,000	100.00%
	Director	TFN Media Co., Ltd. Representative: Chi-Kai Liao	33,940,000	100.00%
	Supervisor	TFN Media Co., Ltd. Representative: Jay Hong	33,940,000	100.00%
	Supervisor	TFN Media Co., Ltd. Representative: Rita Kuo	33,940,000	100.00%
President	Chi-Kai Liao	-	-	
Mangrove Cable TV Co., Ltd.	Chairman	Dai-Ka Ltd. Representative: Chao-Nan Kuo	14,912,000	70.47%
	Director	Dai-Ka Ltd. Representative: Sheng-Hung Lin	14,912,000	70.47%
	Independent Director	Eric Chang	-	-
	Independent Director	Eugene Cha	-	-
	Independent Director	Hsiu-Lan Wang	-	-
	President	Sheng-Hung Lin	-	-
Phoenix Cable TV Co., Ltd.	Chairman	TFN Media Co., Ltd. Representative: Jamie Lin	68,090,198	100.00%
	Director	TFN Media Co., Ltd. Representative: Rosie Yu	68,090,198	100.00%
	Director	TFN Media Co., Ltd. Representative: Tom Koh	68,090,198	100.00%
	Director	TFN Media Co., Ltd. Representative: C.H. Wu	68,090,198	100.00%
	Director	TFN Media Co., Ltd. Representative: Chen-Lu Lin	68,090,198	100.00%
	Supervisor	TFN Media Co., Ltd. Representative: Jay Hong	68,090,198	100.00%
	Supervisor	TFN Media Co., Ltd. Representative: Rita Kuo	68,090,198	100.00%
	President	Chen-Lu Lin	-	-
Union Cable TV Co., Ltd.	Chairman	TFN Media Co., Ltd. Representative: Jamie Lin	169,141,000	99.22%
	Director	TFN Media Co., Ltd. Representative: Rosie Yu	169,141,000	99.22%
	Director	TFN Media Co., Ltd. Representative: Tom Koh	169,141,000	99.22%
	Director	TFN Media Co., Ltd. Representative: C.H. Wu	169,141,000	99.22%
	Director	TFN Media Co., Ltd. Representative: Min-Chieh Yang	169,141,000	99.22%
	Supervisor	Global Forest Media Technology Co., Ltd. Representative: Jay Hong	1,300,326	0.76%
	Supervisor	Rita Kuo	-	-
	President	Min-Chieh Yang	-	-
Globalview Cable TV Co., Ltd.	Chairman	TFN Media Co., Ltd. Representative: Jamie Lin	51,733,200	92.38%
	Director	TFN Media Co., Ltd.	51,733,200	92.38%

Company name	Title	Name of Representative	Shares	%
		Representative: Rosie Yu		
	Director	TFN Media Co., Ltd. Representative: Tom Koh	51,733,200	92.38%
	Director	TFN Media Co., Ltd. Representative: C.H. Wu	51,733,200	92.38%
	Director	TFN Media Co., Ltd. Representative: Hung-Chun Chou	51,733,200	92.38%
	Supervisor	Global Wealth Media Technology Co., Ltd. Representative: Jay Hong	3,825,333	6.83%
	Supervisor	Rita Kuo	-	-
Asian Crown International Co., Ltd.	President	Hung-Chun Chou	-	-
	Director	momo.com Inc.	US\$ 9,735,459	81.99%
Honest Development Co., Ltd.	President	(Note 1)		
	Director	momo.com Inc.	US\$ 21,778,413	100.00%
Fuli Life Insurance Agent Co., Ltd.	President	(Note 1)		
	Chairman	momo.com Inc. Representative: C.F. Lin	500,000	100.00%
	Director	momo.com Inc. Representative: Jeff Ku	500,000	100.00%
	Director	momo.com Inc. Representative: Julia Chou	500,000	100.00%
	Supervisor	momo.com Inc. Representative: Summer Hsieh	500,000	100.00%
Fuli Property Insurance Agent Co., Ltd.	President	C.F. Lin	-	-
	Chairman	momo.com Inc. Representative: Gina Lu	500,000	100.00%
	Director	momo.com Inc. Representative: Jeff Ku	500,000	100.00%
	Director	momo.com Inc. Representative: Jeremy Hong	500,000	100.00%
	Supervisor	momo.com Inc. Representative: Hana Hsieh	500,000	100.00%
Fu Sheng Travel Service Co., Ltd.	President	Gina Lu	-	-
	Chairman	momo.com Inc. Representative: C.F. Lin	3,000,000	100.00%
	Director	momo.com Inc. Representative: Jeff Ku	3,000,000	100.00%
	Director	momo.com Inc. Representative: Gina Lu	3,000,000	100.00%
	Supervisor	momo.com Inc. Representative: Jeremy Hong	3,000,000	100.00%
Bebe Poshe International Co., Ltd.	President	(Note 1)		
	Chairman	momo.com Inc. Representative: C.F. Lin	8,500,000	85.00%
	Director	Jennifer Lin	-	-
	Director	momo.com Inc. Representative: Jeff Ku	8,500,000	85.00%
	Director	momo.com Inc. Representative: Summer Hsieh	8,500,000	85.00%
	Director	momo.com Inc. Representative: Gina Lu	8,500,000	85.00%
	Supervisor	Carey Lin	-	-
Fu Sheng Logistics Co., Ltd.	President	Summer Hsieh	-	-
	Chairman	momo.com Inc. Representative: Jeff Ku	25,000,000	100.00%
	Director	momo.com Inc. Representative: Leanne Wang	25,000,000	100.00%
	Director	momo.com Inc. Representative: Robinson Lin	25,000,000	100.00%
	Supervisor	momo.com Inc. Representative: Gina Lu	25,000,000	100.00%
MFS Co., Ltd.	President	Leanne Wang	-	-
	Chairman	momo.com Inc. Representative: Jeff Ku	10,000,000	100.00%
	Director	momo.com Inc. Representative: Summer Hsieh	10,000,000	100.00%
	Director	momo.com Inc.		

Company name	Title	Name of Representative	Shares	%
		Representative: Ally Yu	10,000,000	100.00%
	Supervisor	momo.com Inc. Representative: Jeremy Hong	10,000,000	100.00%
	President	Ally Yu	-	-
Fortune Kingdom Corp.	Director	Asian Crown International Co., Ltd.	US\$ 11,594,429	100.00%
	President	(Note 1)		
Hong Kong Fubon Multimedia Technology Co., Ltd.	Director	Fortune Kingdom Corp.	US\$ 11,594,429	100.00%
	Director	C.F. Lin	-	-
	President	(Note 1)		
Hongkong Yue Numerous Investment Co., Ltd.	Director	Honest Development Co., Ltd.	HK\$ 16,600,000	100.00%
	Director	C.F. Lin	-	-
	President	(Note 1)		
Haobo Information Consulting (Shenzhen) Co., Ltd	Chairman	Hongkong Yue Numerous Investment Co., Ltd. Representative: C.F. Lin	RMB 11,000,000	100.00%
	Supervisor	Hongkong Yue Numerous Investment Co., Ltd. Representative: Jeff Ku	RMB 11,000,000	100.00%
	President	Summer Hsieh	-	-
Fubon Gehua (Beijing) Enterprise Ltd.	Chairman	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: C.F. Lin	RMB 72,499,800	93.55%
	Director	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Jeff Ku	RMB 72,499,800	93.55%
	Director	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Jeremy Hong	RMB 72,499,800	93.55%
	Director	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Nien-Pei Tsai	RMB 72,499,800	93.55%
	Director	Prosperous Group (Asia) Ltd. Representative: Pei-Yin Yu	RMB 5,000,200	6.45%
	Supervisor	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Summer Hsieh	RMB 72,499,800	93.55%
	Supervisor	Hong Kong Fubon Multimedia Technology Co., Ltd. Representative: Gina Lu	RMB 72,499,800	93.55%
	President	C.F. Lin	-	-

Note 1: No President

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

## 6. Affiliates' operating highlights

As of December 31, 2020; Unit: NT\$'000

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income	EPS (NT\$)
Taiwan Cellular Co., Ltd.	5,029,703	82,680,312	354,487	82,325,825	-	(475)	3,317,359	6.60
Wealth Media Technology Co., Ltd.	420,650	21,388,303	2,071	21,386,232	-	(211)	2,573,146	61.17
TWM Venture Co., Ltd.	1,605,000	1,587,764	290	1,587,474	-	(793)	(7,736)	(0.11)
Taipei New Horizon Co., Ltd.	3,845,000	7,421,039	3,693,615	3,727,424	554,306	179,979	85,040	0.22
Taiwan Fixed Network Co., Ltd.	21,000,000	57,269,698	3,330,755	53,938,943	9,234,829	3,641,845	3,081,592	1.47
Taiwan Teleservices & Technologies Co., Ltd.	24,843	506,563	402,655	103,908	1,118,456	62,323	50,843	20.47
TWM Holding Co., Ltd.	0.032	224,255	37	224,218	-	(250)	(4,786)	(4,785,847)
TCC Investment Co., Ltd.	1,547,213	27,493,198	460,316	27,032,882	195	(63)	4,172	0.03
Taiwan Digital Service Co., Ltd.	25,000	140,003	36,074	103,929	228,294	11,631	9,536	3.81
Taihsin Property Insurance Agent Co., Ltd.	5,000	184,463	92,909	91,554	287,073	101,781	81,554	163.11
Tai-Fu Cloud Co., Ltd.	200,000	543,607	357,937	185,670	236,417	6,345	(11,739)	(0.59)
TFN Media Co., Ltd.	2,309,213	13,329,246	3,125,355	10,203,891	3,332,979	1,866,739	1,749,541	7.58
Global Forest Media Technology Co., Ltd.	15,000	17,128	51	17,077	-	(136)	177	0.12
Global Wealth Media Technology Co., Ltd.	89,449	98,443	76	98,367	-	(173)	3,747	0.42
Win TV Broadcasting Co., Ltd.	181,774	1,069,062	783,863	285,199	1,041,903	42,856	29,530	1.62
momo.com Inc.	1,400,585	17,655,734	10,721,741	6,933,993	67,160,246	2,238,004	1,943,304	13.87
TFN Union Investment Co., Ltd.	4,000	40,615,388	1,098,119	39,517,269	-	(74)	(74)	(0.18)
TWM Communications (Beijing) Co., Ltd.	85,440	80,102	79	80,023	-	(280)	1,373	NA
TCCI Investment and Development Co., Ltd.	1,047,120	8,664,523	234,260	8,430,263	-	(86)	(86)	(0.00)
Taiwan Kuro Times Co., Ltd.	147,000	242,477	74,230	168,247	314,207	49,762	34,975	2.38
Yeong Jia Leh Cable TV Co., Ltd.	339,400	604,822	437,478	167,344	779,970	(79,546)	(77,644)	(2.29)
Mangrove Cable TV Co., Ltd.	211,600	655,159	279,174	375,985	427,143	57,410	48,770	2.30
Phoenix Cable TV Co., Ltd.	680,902	1,590,182	448,683	1,141,499	1,173,226	199,989	166,851	2.45
Union Cable TV Co., Ltd.	1,704,633	2,170,100	324,818	1,845,282	648,800	48,681	41,036	0.24
Globalview Cable TV Co., Ltd.	560,000	951,868	235,944	715,924	468,984	66,042	57,384	1.02
Asian Crown International Co., Ltd.	364,890	38,228	-	38,228	-	-	(11,847)	(1.00)
Honest Development Co., Ltd.	670,448	678,698	-	678,698	-	-	46,691	2.14
Fuli Life Insurance Agent Co., Ltd.	5,000	7,833	714	7,119	1,480	(1,681)	(1,672)	(3.34)
Fuli Property Insurance Agent Co., Ltd.	5,000	9,469	1,740	7,729	4,853	(1,533)	(1,527)	(3.05)
Fu Sheng Travel Service Co., Ltd.	30,000	179,119	133,382	45,737	7,653	6,963	5,569	1.86
Bebe Poshe International Co., Ltd.	100,000	51,474	2,772	48,702	46,573	(9,790)	(9,721)	(0.97)
Fu Sheng Logistics Co., Ltd.	250,000	289,342	42,815	246,527	136,482	(4,841)	(3,473)	(0.14)
MFS Co., Ltd.	100,000	104,884	3,070	101,814	8,861	2,211	1,814	0.18
Fortune Kingdom Corp.	356,500	33,987	-	33,987	-	-	(11,672)	(1.01)
Hong Kong Fubon Multimedia Technology Co., Ltd.	356,500	33,987	-	33,987	-	(54)	(11,672)	(1.01)
Hongkong Yue Numerous Investment Co., Ltd.	66,035	678,698	-	678,698	-	-	46,691	2.81
Haobo Information Consulting (Shenzhen) Co., Ltd.	48,092	650,773	-	650,773	-	(158)	45,921	NA
Fubon Gehua (Beijing) Enterprise Ltd.	338,829	38,717	10,876	27,841	49,763	(11,753)	(11,997)	NA

Note 1: Exchange rates: US\$1=NT\$28.48, HK\$1=NT\$3.673 and RMB1=NT\$4.372 as of December 31, 2020  
Average exchange rates: US\$1=NT\$29.559, HK\$1=NT\$3.81 and RMB1=NT\$4.28 for 2020

**Private placement of company shares:** None

**TWM shares held / sold by subsidiaries**

Unit : NT\$ '000, %

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

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

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

**Other supplementary information:** None

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



Taiwan Mobile

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

**Consolidated Financial Statements for the  
Years Ended December 31, 2020 and 2019 and  
Independent Auditors' Report**

## **REPRESENTATION LETTER**

The entities that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as those included in the consolidated financial statements of Taiwan Mobile Co., Ltd. and its subsidiaries prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of Taiwan Mobile Co., Ltd. and its subsidiaries. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

TAIWAN MOBILE CO., LTD.

By

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DANIEL TSAI  
Chairman

February 25, 2021



## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Taiwan Mobile Co., Ltd. and its subsidiaries (collectively, the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China (ROC).

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the 2020 consolidated financial statements are as follows:

#### Telecommunications and Value-added Services Revenue

The description of key audit matter:

One of the operating revenue sources of the Group is the telecommunications and value-added services revenue. The Group offers more different monthly-fee plans and diversifies the business by innovating value-added services since the telecommunication industry becomes more competitive nowadays. The

competitive telecommunication industry and complicated calculations for revenue recognition, which highly relies on automatic and systematic connection and implementation, lead the telecommunications and value-added services revenue to be considered as one of the key audit matters.

Corresponding audit procedures:

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

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

### Sales Revenue

The description of key audit matter:

The Group's another source of operating revenue is generated from the sales through virtual channels, including E-commerce portals, TV shopping channels and catalogues by momo.com Inc. (momo). Due to the nature of momo's core sales, momo offers a wide range of products and services to different customers; the trading quantity is rather high while each transaction is individually low in value and is highly automated through the website and related system. As a result of momo's business model being highly reliant on IT infrastructure and the fact that momo processes, stores and transmits large amounts of data through digital and web-based environment, the risk in revenue recognition is whether the sales amount is transmitted accurately to the IT system and processed on a real-time basis.

Corresponding audit procedures:

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

1. Verify the details of invoices in the system to check if the sales amount of each invoice is consistent with its shipping notice and sales order.
2. Confirm the completeness and consistency of transmission through IT system by testing the information transferred from front-end system to general ledger system, and further perform tests on whether the Daily Sales Report in the system is consistent with journal entries of revenue each day.

### **Other Matter**

We have also audited the parent company only financial statements of Taiwan Mobile Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of the ROC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 25, 2021

Notice to Readers

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

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

# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

ASSETS	December 31, 2020		December 31, 2019		LIABILITIES AND EQUITY	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 6 and 29)	\$ 10,777,791	6	\$ 8,663,370	6	Short-term borrowings (Note 17)	\$ 9,800,000	5	\$ 16,270,000	11
Financial assets at fair value through profit or loss (Note 29)	-	-	149	-	Short-term notes and bills payable (Note 17)	14,195,385	8	1,898,111	1
Financial assets at fair value through other comprehensive income (Note 7)	245,446	-	246,493	-	Contract liabilities (Note 22)	1,892,749	1	1,807,407	1
Contract assets (Note 22)	4,617,051	3	4,832,043	3	Notes and accounts payable	9,625,964	5	7,660,285	5
Notes and accounts receivable, net (Note 8)	7,638,043	4	7,671,838	5	Accounts payable due to related parties (Note 29)	160,556	-	135,162	-
Notes and accounts receivable due from related parties (Note 29)	186,903	-	146,186	-	Other payables (Note 29)	11,153,442	6	8,823,705	6
Other receivables (Note 29)	1,348,704	1	1,418,485	1	Current tax liabilities	2,192,429	1	1,539,638	1
Inventories (Note 9)	5,766,264	3	5,670,476	4	Provisions (Note 19)	68,531	-	88,961	-
Prepayments (Note 29)	652,375	-	463,334	-	Lease liabilities (Notes 13, 26 and 29)	3,505,968	2	3,532,951	2
Assets held for sale	23,005	-	-	-	Advance receipts	99,944	-	87,410	-
Other financial assets (Notes 29 and 30)	677,891	-	592,868	-	Long-term liabilities, current portion (Notes 17 and 18)	2,935,405	2	303,297	-
Other current assets	159,321	-	200,458	-	Other current liabilities (Note 29)	2,901,946	2	2,376,029	2
<b>Total current assets</b>	<b>32,092,794</b>	<b>17</b>	<b>29,905,700</b>	<b>19</b>	<b>Total current liabilities</b>	<b>58,532,319</b>	<b>32</b>	<b>44,522,956</b>	<b>29</b>
<b>NON-CURRENT ASSETS</b>					<b>NON-CURRENT LIABILITIES</b>				
Financial assets at fair value through other comprehensive income (Note 7)	2,289,746	1	5,245,888	4	Contract liabilities (Note 22)	102,767	-	45,293	-
Contract assets (Note 22)	3,753,081	2	3,463,456	2	Bonds payable (Note 18)	34,973,223	19	15,903,436	10
Investments accounted for using equity method (Notes 10 and 29)	1,966,894	1	1,478,025	1	Long-term borrowings (Note 17)	8,780,081	5	8,586,076	6
Property, plant and equipment (Note 12)	42,479,314	23	36,182,005	24	Provisions (Note 19)	1,449,171	1	1,459,270	1
Right-of-use assets (Notes 13 and 29)	9,011,290	5	9,657,938	6	Deferred tax liabilities (Note 24)	1,063,734	-	977,560	1
Investment properties (Note 14)	2,626,185	2	2,984,057	2	Lease liabilities (Notes 13, 26 and 29)	5,530,987	3	6,117,438	4
Concessions (Notes 15 and 30)	64,803,445	35	37,709,501	24	Net defined benefit liabilities (Note 20)	534,071	-	517,175	-
Goodwill (Note 15)	15,819,108	9	15,832,440	10	Guarantee deposits	1,165,500	1	1,092,364	1
Other intangible assets (Note 15)	5,143,958	3	5,536,534	4	Other non-current liabilities	462,537	-	522,116	-
Deferred tax assets (Note 24)	883,367	-	839,240	1	<b>Total non-current liabilities</b>	<b>54,062,071</b>	<b>29</b>	<b>35,220,728</b>	<b>23</b>
Incremental costs of obtaining a contract (Note 22)	1,771,884	1	2,119,052	1	<b>Total liabilities</b>	<b>112,594,390</b>	<b>61</b>	<b>79,743,684</b>	<b>52</b>
Other financial assets (Notes 29, 30 and 31)	355,432	-	271,653	-	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>				
Other non-current assets (Notes 16 and 29)	1,588,104	1	2,694,470	2	(Note 21)				
<b>Total non-current assets</b>	<b>152,491,808</b>	<b>83</b>	<b>124,014,259</b>	<b>81</b>	Common stock	35,124,215	19	34,959,441	23
					Capital collected in advance	-	-	134,104	-
					Capital surplus	18,936,574	10	20,274,694	13
					Retained earnings				
					Legal reserve	30,170,398	16	28,922,281	19
					Special reserve	-	-	95,381	-
					Unappropriated earnings	13,300,996	7	12,909,829	8
					Other equity interests	(2,449,739)	(1)	438,905	-
					Treasury stock	(29,717,344)	(16)	(29,717,344)	(19)
					<b>Total equity attributable to owners of the parent</b>	<b>65,365,100</b>	<b>35</b>	<b>68,017,291</b>	<b>44</b>
					<b>NON-CONTROLLING INTERESTS (Note 21)</b>	<b>6,625,112</b>	<b>4</b>	<b>6,158,984</b>	<b>4</b>
					<b>Total equity</b>	<b>71,990,212</b>	<b>39</b>	<b>74,176,275</b>	<b>48</b>
<b>TOTAL</b>	<b>\$ 184,584,602</b>	<b>100</b>	<b>\$ 153,919,959</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 184,584,602</b>	<b>100</b>	<b>\$ 153,919,959</b>	<b>100</b>

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

# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Reclassified (Note 3) Amount	%
OPERATING REVENUES (Notes 22, 29 and 35)	\$ 132,860,984	100	\$ 124,420,913	100
OPERATING COSTS (Notes 9, 29, 33 and 35)	<u>101,415,248</u>	<u>76</u>	<u>91,612,178</u>	<u>74</u>
GROSS PROFIT FROM OPERATIONS	<u>31,445,736</u>	<u>24</u>	<u>32,808,735</u>	<u>26</u>
OPERATING EXPENSES (Notes 29, 33 and 35)				
Marketing	10,055,415	8	10,506,264	8
Administrative	5,260,967	4	5,204,694	4
Research and development	214,996	-	163,166	-
Expected credit loss	<u>190,763</u>	<u>-</u>	<u>241,043</u>	<u>-</u>
Total operating expenses	<u>15,722,141</u>	<u>12</u>	<u>16,115,167</u>	<u>12</u>
OTHER INCOME AND EXPENSES, NET (Notes 29 and 35)	<u>332,565</u>	<u>-</u>	<u>499,767</u>	<u>-</u>
OPERATING INCOME (Note 35)	<u>16,056,160</u>	<u>12</u>	<u>17,193,335</u>	<u>14</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 29)	66,122	-	115,313	-
Other income (Note 23)	121,592	-	196,585	-
Other gains and losses, net (Notes 23 and 29)	(267,386)	-	(359,131)	-
Finance costs (Note 23)	(618,588)	-	(574,780)	-
Share of profit of associates accounted for using equity method (Note 10)	<u>99,891</u>	<u>-</u>	<u>10,488</u>	<u>-</u>
Total non-operating income and expenses	<u>(598,369)</u>	<u>-</u>	<u>(611,525)</u>	<u>-</u>
PROFIT BEFORE TAX	15,457,791	12	16,581,810	14
INCOME TAX EXPENSE (Note 24)	<u>3,064,013</u>	<u>3</u>	<u>3,289,943</u>	<u>3</u>
NET PROFIT	<u>12,393,778</u>	<u>9</u>	<u>13,291,867</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 10, 20, 21 and 24)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans	(37,801)	-	(44,101)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(840,451)	-	536,083	-
Share of other comprehensive income of associates accounted for using equity method	21,133	-	15,432	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation	7,764	-	(24,446)	-
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>(4,314)</u>	<u>-</u>	<u>4,205</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>(853,669)</u>	<u>-</u>	<u>487,173</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 11,540,109</u>	<u>9</u>	<u>\$ 13,779,040</u>	<u>11</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 11,286,553	8	\$ 12,481,167	10
Non-controlling interests	<u>1,107,225</u>	<u>1</u>	<u>810,700</u>	<u>1</u>
	<u>\$ 12,393,778</u>	<u>9</u>	<u>\$ 13,291,867</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 10,414,104	8	\$ 12,971,397	10
Non-controlling interests	<u>1,126,005</u>	<u>1</u>	<u>807,643</u>	<u>1</u>
	<u>\$ 11,540,109</u>	<u>9</u>	<u>\$ 13,779,040</u>	<u>11</u>
EARNINGS PER SHARE (Note 25)				
Basic earnings per share	<u>\$ 4.01</u>		<u>\$ 4.51</u>	
Diluted earnings per share	<u>\$ 3.99</u>		<u>\$ 4.44</u>	

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

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Parent						Other Equity Interests		Treasury Stock	Total	Non-controlling Interests	Total Equity
	Common Stock	Capital Collected in Advance	Capital Surplus	Retained Earnings			Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
				Legal Reserve	Special Reserve	Unappropriated Earnings						
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 year ended December 31, 2019	-	-	-	-	-	12,481,167	-	-	-	12,481,167	810,700	13,291,867
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	(44,056)	(10,107)	544,393	-	490,230	(3,057)	487,173
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	12,437,111	(10,107)	544,393	-	12,971,397	807,643	13,779,040
Conversion of convertible bonds to common stock	750,922	104,285	7,710,366	-	-	-	-	-	-	8,565,573	-	8,565,573
Changes in equity of associates accounted for using equity method	-	-	(17,346)	-	-	(51,217)	-	-	-	(68,563)	(83,749)	(152,312)
Other changes in capital surplus	-	-	982	-	-	-	-	-	-	982	-	982
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(693,361)	(693,361)
BALANCE, DECEMBER 31, 2019	34,959,441	134,104	20,274,694	28,922,281	95,381	12,909,829	(34,505)	473,410	(29,717,344)	68,017,291	6,158,984	74,176,275
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 year ended December 31, 2020	-	-	-	-	-	11,286,553	-	-	-	11,286,553	1,107,225	12,393,778
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(38,068)	2,826	(837,207)	-	(872,449)	18,780	(853,669)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	11,248,485	2,826	(837,207)	-	10,414,104	1,126,005	11,540,109
Conversion of convertible bonds to common stock	164,774	(134,104)	259,109	-	-	-	-	-	-	289,779	-	289,779
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	2,052,067	-	(2,052,067)	-	-	-	-
Changes in equity of associates accounted for using equity method	-	-	(1,721)	-	-	(2,001)	-	-	-	(3,722)	(1,490)	(5,212)
Disposal of investments accounted for using equity method	-	-	(2,738)	-	-	2,196	-	(2,196)	-	(2,738)	(3,344)	(6,082)
Other changes in capital surplus	-	-	854	-	-	-	-	-	-	854	-	854
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(655,043)	(655,043)
BALANCE, DECEMBER 31, 2020	\$ 35,124,215	\$ -	\$ 18,936,574	\$ 30,170,398	\$ -	\$ 13,300,996	\$ (31,679)	\$ (2,418,060)	\$(29,717,344)	\$ 65,365,100	\$ 6,625,112	\$ 71,990,212

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

# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	\$ 15,457,791	\$ 16,581,810
Adjustments for:		
Depreciation expense	11,106,070	12,755,740
Amortization expense	4,167,114	3,439,851
Amortization of incremental costs of obtaining a contract	1,718,101	2,483,997
Loss on disposal and retirement of property, plant and equipment, net	257,006	277,123
Loss on disposal and retirement of intangible assets, net	64,703	-
Expected credit loss	190,763	241,043
Finance costs	618,588	574,780
Interest income	(66,122)	(115,313)
Dividend income	(102,762)	(117,211)
Share of profit of associates accounted for using equity method	(99,891)	(10,488)
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	(2,858)
Impairment loss on intangible assets	13,332	40,155
Others	(16,318)	(2,950)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	84,864
Contract assets	(71,727)	388,595
Notes and accounts receivable	(111,732)	(552,401)
Notes and accounts receivable due from related parties	(32,645)	(276)
Other receivables	77,777	607,142
Inventories	(95,788)	(1,724,813)
Prepayments	(178,030)	(3,017)
Other current assets	41,760	716,507
Other financial assets	(15,621)	(11,484)
Incremental costs of obtaining a contract	(1,370,933)	(1,656,767)
Contract liabilities	87,033	1,921
Notes and accounts payable	1,965,679	903,305
Accounts payable due to related parties	25,394	(44,426)
Other payables	20,476	(533,329)
Provisions	(81,084)	(11,582)
Advance receipts	67,708	(19,658)
Other current liabilities	523,117	(14,010)
Net defined benefit liabilities	(30,355)	(48,831)
Cash inflows generated from operating activities	34,055,694	34,227,419
Interest received	16,651	42,534
Interest paid	(1,299)	(1,291)
Income taxes paid	(2,328,524)	(4,052,247)
Net cash generated from operating activities	<u>31,742,522</u>	<u>30,216,415</u>

(Continued)



# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	\$ (11,037,092)	\$ (6,605,925)
Acquisition of right-of-use assets	(26,264)	(14,858)
Acquisition of intangible assets	(29,904,358)	(291,260)
Increase in prepayments for equipment	(266,182)	(240,031)
Proceeds from disposal of property, plant and equipment	93,237	49,700
Proceeds from disposal of intangible assets	16,000	-
Increase (decrease) in advanced receipts from assets disposals	331	(123)
Acquisition of financial assets at fair value through profit or loss	-	(2,500)
Acquisition of financial assets at fair value through other comprehensive income	(798,131)	-
Disposal of financial assets at fair value through other comprehensive income	2,964,345	-
Acquisition of investments accounted for using equity method	(572,714)	(262,000)
Disposal of investments accounted for 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	(318,178)	(1,257,689)
Decrease in refundable deposits	260,325	249,028
Increase in other financial assets	(269,366)	(222,215)
Decrease in other financial assets	116,785	73,985
Interest received	44,757	58,545
Dividend received	<u>122,926</u>	<u>192,062</u>
Net cash used in investing activities	<u>(39,320,539)</u>	<u>(8,373,281)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	(6,470,000)	6,000,000
Increase in short-term notes and bills payable	12,289,537	399,285
Proceeds from issue of bonds	19,979,415	-
Repayments of bonds payable	-	(4,500,000)
Proceeds from long-term borrowings	6,496,758	-
Repayment of long-term borrowings	(4,304,000)	(2,304,000)
Repayment of the principal portion of lease liabilities	(3,881,512)	(3,776,678)
Increase in guarantee deposits received	192,808	217,256
Decrease in guarantee deposits received	(119,240)	(138,587)
Cash dividends paid (including paid to non-controlling interests)	(14,005,485)	(16,059,547)
Interest paid	<u>(487,496)</u>	<u>(512,224)</u>
Net cash generated from (used in) financing activities	<u>9,690,785</u>	<u>(20,674,495)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS</b>		
	<u>1,653</u>	<u>(3,979)</u>

(Continued)

## **TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

### **CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)**

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	<b>2020</b>	<b>2019</b>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 2,114,421	\$ 1,164,660
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,663,370</u>	<u>7,498,710</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 10,777,791</u>	<u>\$ 8,663,370</u>

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

(Concluded)

# **TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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### **1. ORGANIZATION AND OPERATIONS**

Taiwan Mobile Co., Ltd. (TWM) was incorporated in Taiwan, the Republic of China (ROC) on February 25, 1997. TWM's stock was listed on the ROC Over-the-Counter (OTC) Securities Exchange (currently known as The Taipei Exchange, TPEX) on September 19, 2000. On August 26, 2002, TWM's stock was shifted to be listed on the Taiwan Stock Exchange. TWM is mainly engaged in rendering wireless communication service and the sale of mobile phones and accessories, 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 February 25, 2021.

### **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 IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies.

- b. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
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”	Effective for annual reporting periods beginning on or after January 1, 2021

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

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

New IFRSs	Effective Date Announced by IASB (Note 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 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 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 4)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 5)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 6)
Amendments to IAS 37 “Onerous Contracts-Cost of Fulfilling a Contract”	January 1, 2022 (Note 7)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 5: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 6: 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 7: 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.

d. 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 year ended December 31, 2019 was made to conform to the current period's presentation.

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

##### **Statement of Compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### **Basis of Preparation**

a. Basis of measurement

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

b. Functional and presentation currency

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

##### **Basis of Consolidation**

a. Principles for preparation of the consolidated financial statements

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

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

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

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

Transactions and balances, and any income and expenses arising from intra-group transactions were eliminated during the preparation of the consolidated financial statements.

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

Investor	Subsidiary	Main Business and Products	Percentage of Ownership		Note
			December 31		
			2020	2019	
TWM	Taiwan Cellular Co., Ltd. (TCC)	Investment	100.00%	100.00%	-
	Wealth Media Technology Co., Ltd. (WMT)	Investment	100.00%	100.00%	-
	TWM Venture Co., Ltd. (TVC)	Investment	100.00%	100.00%	-
	Taipei New Horizon Co., Ltd. (TNH)	Building and operating Songshan Cultural and Creative Park BOT project	49.90%	49.90%	-
TCC	Taiwan Fixed Network Co., Ltd. (TFN)	Fixed-line service provider	100.00%	100.00%	-
	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service and telephone marketing	100.00%	100.00%	-
	TWM Holding Co., Ltd. (TWM Holding)	Investment	100.00%	100.00%	-
	TCC Investment Co., Ltd. (TCCI)	Investment	100.00%	100.00%	Note 1
	Taiwan Digital Service Co., Ltd. (TDS)	Commissioned maintenance service	100.00%	100.00%	-
	Taihsin Property Insurance Agent Co., Ltd. (TPIA)	Property insurance agent	100.00%	100.00%	-
	Tai-Fu Cloud Technology Co., Ltd. (TFC)	Type II telecommunications business	100.00%	100.00%	-
WMT	TFN Media Co., Ltd. (TFNM)	Type II telecommunications business	100.00%	100.00%	-
	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00%	100.00%	-
	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00%	100.00%	-
	Win TV Broadcasting Co., Ltd. (WTVB)	TV program provider	100.00%	100.00%	-
TFN	momo	Wholesale and retail sales	45.01%	45.01%	-
	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00%	100.00%	Note 1
TWM Holding	TWM Communications (Beijing) Co., Ltd. (TWMC)	Mobile application development and design	100.00%	100.00%	-
TCCI	TCCI Investment and Development Co., Ltd. (TID)	Investment	100.00%	100.00%	Note 1
TFNM	Taiwan Kuro Times Co., Ltd. (TKT)	Online music service	100.00%	100.00%	-
	Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Cable TV service provider	100.00%	100.00%	-
	Mangrove Cable TV Co., Ltd. (MCTV)	Cable TV service provider	29.53%	29.53%	Note 2
	Phoenix Cable TV Co., Ltd. (PCTV)	Cable TV service provider	100.00%	100.00%	-
	Union Cable TV Co., Ltd. (UCTV)	Cable TV service provider	99.22%	99.22%	-
GFMT GWMT momo	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV service provider	92.38%	92.38%	-
	UCTV	Cable TV service provider	0.76%	0.76%	-
	GCTV	Cable TV service provider	6.83%	6.83%	-
	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	81.99%	81.99%	-
	Honest Development Co., Ltd. (Honest Development)	Investment	100.00%	100.00%	-
	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.00%	100.00%	-

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Ownership		Note
			2020	2019	
momo	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.00%	100.00%	-
	Fu Sheng Travel Service Co., Ltd. (FST)	Travel agent	100.00%	100.00%	-
	Bebe Poshe International Co., Ltd. (Bebe Poshe)	Wholesale of cosmetics	85.00%	85.00%	-
	Fu Sheng Logistics Co., Ltd. (FSL)	Logistics and transport	100.00%	-	Note 3
Asian Crown (BVI)	MFS Co., Ltd. (MFS)	Wholesaling	100.00%	-	Note 4
	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.00%	100.00%	-
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.00%	100.00%	-
Honest Development	Hongkong Yue Numerous Investment Co., Ltd. (HK Yue Numerous)	Investment	100.00%	100.00%	-
HK Yue Numerous	Haobo Information Consulting (Shenzhen) Co., Ltd. (Haobo)	Investment	100.00%	100.00%	-
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesaling	93.55%	93.55%	-

(Concluded)

Note 1: TCCI, TUI and TID collectively owned 698,752 thousand shares of TWM, representing 19.89% of total outstanding shares as of December 31, 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.

## Foreign Currencies

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

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

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

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

On the disposal of the Group's entire interest in a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

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

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

- a. It holds the asset primarily for the purpose of trading;
- b. It expects to realize the asset within twelve months after the reporting period; or
- c. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

## **Financial Instruments**

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

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

### **a. Financial assets**

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

#### **1) Measurement category**

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

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

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends and interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 28.



b) Financial assets at amortized cost

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

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

c) Investments in equity instruments at FVTOCI

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

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity.

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

2) Impairment of financial assets and contract assets

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

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

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

that are possible within 12 months after the reporting date.

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

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

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

### 3) Derecognition of financial assets

The Group derecognizes financial assets only when the contractual rights of the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

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

### b. Equity instruments

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

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

### c. Financial liabilities

#### 1) Recognition

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

#### 2) Convertible bonds

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

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

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

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

### 3) Derecognition of financial liabilities

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

#### d. Derivative financial instruments

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

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

## **Inventories**

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

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

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

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

## **Investment in Associates**

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

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

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

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

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its disproportionate subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

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

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

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

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

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

Land has an unlimited useful life and therefore is not depreciated. For the estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment, see Note 12 to the consolidated financial statements for details.

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

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

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

## **Leases**

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.

## **Investment Properties**

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

## **Intangible Assets**

### **a. Goodwill**

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

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

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

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

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

d. Amortization and derecognition of intangible assets

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date that they are available for use. For the estimated useful lives of intangible assets for the current and comparative periods, see Note 15 to the consolidated financial statements.

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

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

### **Incremental Costs of Obtaining a Contract**

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

### **Impairment of Non-financial Assets**

a. Goodwill

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

b. Property, plant, and equipment, right-of-use assets, intangible assets (excluding goodwill), and incremental costs of obtaining a contract

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

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

## **Provisions**

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

### **a. Restoration**

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

### **b. Decommissioning**

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

### **c. Warranties**

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

## **Treasury Stock**

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

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

## **Government Grants**

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

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

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



## **Employee Benefits**

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

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

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

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

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

## **Income Tax**

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

### **a. Current taxes**

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

Income tax payable (refundable) is based on taxable profit (loss) for the year determined in accordance with the applicable tax laws of each tax jurisdiction.

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

### **b. Deferred taxes**

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. The measurement reflects the Group's expectations at the end of the reporting period as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

## **Revenue Recognition**

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

Under customer loyalty program, the Group offers reward points or vouchers for customers. Transaction price allocated is recognized as contract liabilities or other financial liabilities when collected and will be deducted when points or vouchers are redeemed. Reward points and vouchers will be recognized as revenue when they are redeemed or have expired.

### Telecommunications and value-added services revenue

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

### Revenue from sale of goods

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

### Cable television and broadband services revenue

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

### Other operating income

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

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

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

### **Business Combinations**

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

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

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

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

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

### **Critical Accounting Judgments**

#### a. Lease terms

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

## Key Sources of Estimation Uncertainty

- a. Impairment assessment of property, plant, and equipment, right-of-use assets, intangible assets (excluding goodwill), and incremental costs of obtaining a contract

In the process of impairment assessments, the Group relies on subjective judgment to determine the individual cash flows of a specific group of assets and estimates future gains and losses according to the usage of the assets and relevant business characteristics. Alterations of estimates from any changes in economic conditions or business strategy may lead to significant impairment losses in the future.

- b. Impairment assessment of goodwill

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

## 6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand and revolving funds	\$ 100,230	\$ 60,483
Cash in banks	6,199,436	3,545,544
Time deposits	2,035,253	2,423,103
Government bonds with repurchase rights	<u>2,442,872</u>	<u>2,634,240</u>
	<u>\$ 10,777,791</u>	<u>\$ 8,663,370</u>

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

	December 31	
	2020	2019
<u>Investments in equity instruments - current</u>		
Domestic investments		
Listed stocks	\$ 236,913	\$ 239,086
Foreign investments		
Unlisted stocks	<u>8,533</u>	<u>7,407</u>
	<u>\$ 245,446</u>	<u>\$ 246,493</u>
<u>Investments in equity instruments - non-current</u>		
Domestic investments		
Listed stocks	\$ 981,427	\$ 4,580,516
Unlisted stocks	657,756	173,515
Foreign investments		
Limited partnerships	249,827	462,068
Unlisted stocks	<u>400,736</u>	<u>29,789</u>
	<u>\$ 2,289,746</u>	<u>\$ 5,245,888</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. For the year ended December 31, 2020, TFN sold all of THSR's stock at fair value of \$2,964,345 thousand. The related unrealized gain of \$2,051,882 thousand was transferred from other equity to retained earnings.

## 8. NOTES AND ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Notes receivable	\$ 109,259	\$ 224,042
Accounts receivable	7,835,539	7,793,254
Less: Allowance for impairment loss	<u>(306,755)</u>	<u>(345,458)</u>
	<u>\$ 7,638,043</u>	<u>\$ 7,671,838</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 entering into 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 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:

December 31, 2020

	Not Past Due	Overdue			Total
		1 to 120 Days	121 to 365 Days	Over 365 Days	
Gross carrying amount	\$ 7,322,918	\$ 489,896	\$ 127,120	\$ 4,864	\$ 7,944,798
Loss allowance (Lifetime ECLs)	<u>(57,523)</u>	<u>(123,915)</u>	<u>(120,541)</u>	<u>(4,776)</u>	<u>(306,755)</u>
Amortized cost	<u>\$ 7,265,395</u>	<u>\$ 365,981</u>	<u>\$ 6,579</u>	<u>\$ 88</u>	<u>\$ 7,638,043</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>

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 Year Ended December 31	
	2020	2019
Beginning balance	\$ 345,458	\$ 464,049
Add: Provision	185,257	239,681
Recovery	39,711	42,280
Less: Write-off	<u>(263,671)</u>	<u>(400,552)</u>
Ending balance	<u>\$ 306,755</u>	<u>\$ 345,458</u>

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

	For the Year Ended December 31	
	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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Merchandise	\$ 5,756,903	\$ 5,662,872
Materials for maintenance	<u>9,361</u>	<u>7,604</u>
	<u>\$ 5,766,264</u>	<u>\$ 5,670,476</u>

For the years ended December 31, 2020 and 2019, the cost of goods sold related to inventories amounted to \$72,621,530 thousand and \$62,137,365 thousand, respectively, which included the inventory write-down totaling \$74,188 thousand and \$17,141 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	<u>December 31</u>			
	<u>2020</u>		<u>2019</u>	
	Amount	% of Ownership	Amount	% of Ownership
Global Home Shopping Co., Ltd. (GHS)	\$ 606,376	20.00	\$ 560,029	20.00
Taiwan Pelican Express Co., Ltd. (TPE)	386,414	15.50	404,413	17.70
AppWorks Ventures Co., Ltd. (AppWorks)	265,526	51.00	226,123	51.00
AppWorks Fund III Co., Ltd. (AppWorks Fund III)	315,027	20.11	-	-
TV Direct Public Company Limited (TV Direct)	192,103	24.99	-	-
TVD Shopping Co., Ltd. (TVD Shopping)	-	-	119,531	35.00
kbro Media Co., Ltd. (kbro Media)	167,135	33.58	136,812	32.50
Mistake Entertainment Co., Ltd. (M.E.)	25,698	15.00	25,045	15.00
Alliance Digital Tech Co., Ltd. (ADT)	<u>8,615</u>	14.40	<u>6,072</u>	14.40
	<u>\$ 1,966,894</u>		<u>\$ 1,478,025</u>	

Aggregate information of associates that were not individually material:

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
The Group's share of:		
Profit	\$ 99,891	\$ 10,488
Other comprehensive income	<u>16,819</u>	<u>19,637</u>
Comprehensive income	<u>\$ 116,710</u>	<u>\$ 30,125</u>

a. GHS

In June 2015, momo acquired 20% equity interest of GHS through its subsidiary.

As momo's subsidiary did not participate in GHS's capital increase in October 2015, its percentage of ownership interest in GHS decreased to 18%. In January 2016, its percentage of ownership interest in GHS increased to 20% due to the acquisition of an additional 2% equity interest of GHS.

b. TPE

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

In December 2013, momo's percentage of ownership interest in TPE decreased to 17.7% as it did not subscribe for the new stock issued by TPE and sold part of its stock when TPE went public.

For the year ended December 31, 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

In September 2019, TWM acquired 51% equity interest of AppWorks. TWM has no control over AppWorks due to its holding less than half number of seats on AppWorks' board of directors. Therefore, TWM only has significant influence on AppWorks and accounts for its 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 the second half of 2020, momo's percentage of ownership interest in TV Direct increased to 24.99% due to its acquisition of an additional 8.79% equity interest of TV Direct.

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. kbros Media

In August 2012, TFNM acquired 32.5% equity interest of kbros Media.

In November 2020, kbros Media both decreased and increased capital. TFNM's percentage of ownership interest in kbros Media increased to 33.58% due to non-proportionate subscription to kbros Media's issuance of new capital stock.



h. 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.

i. 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 December 31, 2020, ADT was still under liquidation procedures.

## 11. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Subsidiary	Proportion of Non-controlling Interests' Ownership and Voting Rights	
	December 31	
	2020	2019
momo	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:

	December 31	
	2020	2019
Current assets	\$ 9,932,680	\$ 7,547,400
Non-current assets	15,349,820	14,525,235
Current liabilities	(9,651,475)	(7,372,246)
Non-current liabilities	<u>(1,207,579)</u>	<u>(1,050,690)</u>
Equity	<u>\$ 14,423,446</u>	<u>\$ 13,649,699</u>
Equity attributable to:		
Owners of the parent	\$ 9,671,655	\$ 9,321,432
Non-controlling interests of momo	4,735,804	4,308,010
Non-controlling interests of momo's subsidiaries	<u>15,987</u>	<u>20,257</u>
	<u>\$ 14,423,446</u>	<u>\$ 13,649,699</u>

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating revenues	<u>\$ 67,198,104</u>	<u>\$ 51,830,417</u>
Profit	\$ 1,938,938	\$ 1,392,701
Other comprehensive income (loss)	<u>34,100</u>	<u>(5,260)</u>
Comprehensive income	<u>\$ 1,973,038</u>	<u>\$ 1,387,441</u>
Profit (loss) attributable to:		
Owners of the parent	\$ 874,776	\$ 627,409
Non-controlling interests of momo	1,068,528	766,372
Non-controlling interests of momo's subsidiaries	<u>(4,366)</u>	<u>(1,080)</u>
	<u>\$ 1,938,938</u>	<u>\$ 1,392,701</u>
Comprehensive income (loss) attributable to:		
Owners of the parent	\$ 890,083	\$ 625,200
Non-controlling interests of momo	1,087,225	763,673
Non-controlling interests of momo's subsidiaries	<u>(4,270)</u>	<u>(1,432)</u>
	<u>\$ 1,973,038</u>	<u>\$ 1,387,441</u>

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Net cash generated from operating activities	\$ 3,725,682	\$ 2,836,386
Net cash used in investing activities	(911,614)	(398,567)
Net cash used in financing activities	(1,571,250)	(1,549,264)
Effect of exchange rate changes	<u>313</u>	<u>(1,162)</u>
Net increase in cash	<u>\$ 1,243,131</u>	<u>\$ 887,393</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	1,200	264,485	301,901	12,275,459	13,274,830
Disposals and retirements	(34,302)	(22,377)	(4,525,040)	(236,845)	(323)	(4,818,887)
Reclassification	442,486	104,839	10,524,831	320,146	(10,831,139)	561,163
Effect of exchange rate changes	<u>-</u>	<u>-</u>	<u>1,294</u>	<u>85</u>	<u>-</u>	<u>1,379</u>
Balance, December 31, 2020	<u>\$ 9,101,010</u>	<u>\$ 5,725,270</u>	<u>\$ 96,632,051</u>	<u>\$ 9,934,447</u>	<u>\$ 2,950,912</u>	<u>\$ 124,343,690</u>

(Continued)

	Land	Buildings	Telecommunications Equipment and Machinery	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2020	\$ -	\$ 1,649,207	\$ 69,379,600	\$ 8,114,393	\$ -	\$ 79,143,200
Depreciation	-	161,728	6,301,010	681,947	-	7,144,685
Disposals and retirements	-	(13,804)	(4,220,098)	(234,742)	-	(4,468,644)
Reclassification	-	43,794	(240)	240	-	43,794
Effect of exchange rate changes	-	-	1,260	81	-	1,341
Balance, December 31, 2020	<u>\$ -</u>	<u>\$ 1,840,925</u>	<u>\$ 71,461,532</u>	<u>\$ 8,561,919</u>	<u>\$ -</u>	<u>\$ 81,864,376</u>
Carrying amount, December 31, 2020	<u>\$ 9,101,010</u>	<u>\$ 3,884,345</u>	<u>\$ 25,170,519</u>	<u>\$ 1,372,528</u>	<u>\$ 2,950,912</u>	<u>\$ 42,479,314</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	700,488	290,480	5,518,629	6,510,713
Disposals and retirements	(25,278)	(29,095)	(3,131,281)	(249,751)	(193)	(3,435,598)
Reclassification	(2,766)	(3,370)	5,177,156	161,788	(5,360,738)	(27,930)
Effect of exchange rate changes	-	-	(2,926)	(191)	-	(3,117)
Balance, December 31, 2019	<u>\$ 8,261,041</u>	<u>\$ 5,641,608</u>	<u>\$ 90,366,481</u>	<u>\$ 9,549,160</u>	<u>\$ 1,506,915</u>	<u>\$ 115,325,205</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2019	\$ 1,662	\$ 1,499,982	\$ 64,521,396	\$ 7,402,137	\$ -	\$ 73,425,177
Depreciation	-	161,412	7,709,909	959,504	-	8,830,825
Disposals and retirements	(1,662)	(11,007)	(2,849,017)	(247,089)	-	(3,108,775)
Reclassification	-	(1,180)	-	-	-	(1,180)
Effect of exchange rate changes	-	-	(2,688)	(159)	-	(2,847)
Balance, December 31, 2019	<u>\$ -</u>	<u>\$ 1,649,207</u>	<u>\$ 69,379,600</u>	<u>\$ 8,114,393</u>	<u>\$ -</u>	<u>\$ 79,143,200</u>
Carrying amount, December 31, 2019	<u>\$ 8,261,041</u>	<u>\$ 3,992,401</u>	<u>\$ 20,986,881</u>	<u>\$ 1,434,767</u>	<u>\$ 1,506,915</u>	<u>\$ 36,182,005</u>

(Concluded)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives 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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Land	\$ 530,915	\$ 565,364
Buildings	7,713,486	8,025,737
Telecommunications equipment and machinery	597,078	874,638
Others	<u>169,811</u>	<u>192,199</u>
	<u>\$ 9,011,290</u>	<u>\$ 9,657,938</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 3,694,764</u>	<u>\$ 3,730,923</u>
Depreciation charge for right-of-use assets	\$ 240,479	\$ 233,752
Land	3,459,092	3,404,023
Buildings	180,374	202,542
Telecommunications equipment and machinery	<u>61,661</u>	<u>64,297</u>
Others	<u>\$ 3,941,606</u>	<u>\$ 3,904,614</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 years ended December 31, 2020 and 2019.

#### b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Current	<u>\$ 3,505,968</u>	<u>\$ 3,532,951</u>
Non-current	<u>\$ 5,530,987</u>	<u>\$ 6,117,438</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land	0.74%-1%	0.78%-1%
Buildings	0.74%-1.2%	0.78%-5.44%
Telecommunications equipment and machinery	0.74%-4.38%	0.86%-4.38%
Others	0.74%-0.86%	0.78%-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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses related to short-term leases	<u>\$ 39,496</u>	<u>\$ 57,107</u>
Expenses related to low-value asset leases	<u>\$ 72,123</u>	<u>\$ 69,676</u>
Expenses related to variable lease payments and not included in the measurement of lease liabilities	<u>\$ 45,831</u>	<u>\$ 43,116</u>
Total cash outflow for leases	<u>\$ 4,151,778</u>	<u>\$ 4,059,079</u>

#### 14. INVESTMENT PROPERTIES

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

The fair values of investment properties were measured using Level 3 inputs, arising from income approach, comparative approach, and cost approach adopted by a third party real estate appraiser, HomeBan Appraisers Joint Firm. As of December 31, 2020 and 2019, the fair values of investment properties were \$6,160,847 thousand and \$6,989,343 thousand, respectively, and the capitalization rates for the years were ranging from 1.46%-5.23% and 1.32%-4.95%, respectively.

The amounts of depreciation recognized for the years ended December 31, 2020 and 2019 were \$19,779 thousand and \$20,301 thousand, respectively.

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Year 1	\$ 135,195	\$ 153,723
Year 2	129,010	143,089
Year 3	76,399	133,686
Year 4	24,532	81,103
Year 5	22,392	29,888
Year 6 and thereafter	<u>18,517</u>	<u>51,310</u>
	<u>\$ 406,045</u>	<u>\$ 592,799</u>

## 15. INTANGIBLE ASSETS

	Concessions			Other Intangible Assets					Total
	Concession Licenses	Service Concessions	Goodwill	Computer Software	Customer Relationships	Operating Rights	Trademarks	Copyrights	
<b>Cost</b>									
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	-	-	175,218	-	-	71	36,386	29,867,675
Disposals and retirements	-	-	-	(1,113,352)	-	-	(55)	(30,000)	(1,143,407)
Reclassification	1,000,000	-	-	72,741	-	-	-	31,550	1,104,291
Effect of exchange rate changes	-	-	-	214	-	-	-	-	214
Balance, December 31, 2020	<u>\$ 71,699,375</u>	<u>\$ 8,180,078</u>	<u>\$ 15,872,595</u>	<u>\$ 3,231,391</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,900</u>	<u>\$ 63,133</u>	<u>\$ 105,600,561</u>
<b>Accumulated amortization and impairment</b>									
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	3,383,337	178,719	-	439,330	136,400	-	138	29,190	4,167,114
Disposals and retirements	-	-	-	(1,039,849)	-	-	(55)	-	(1,039,904)
Impairment loss	-	-	13,332	-	-	-	-	-	13,332
Effect of exchange rate changes	-	-	-	195	-	-	-	-	195
Balance, December 31, 2020	<u>\$ 13,687,264</u>	<u>\$ 1,388,744</u>	<u>\$ 53,487</u>	<u>\$ 2,864,980</u>	<u>\$ 1,783,463</u>	<u>\$ -</u>	<u>\$ 1,725</u>	<u>\$ 54,387</u>	<u>\$ 19,834,050</u>
Carrying amount, December 31, 2020	<u>\$ 58,012,111</u>	<u>\$ 6,791,334</u>	<u>\$ 15,819,108</u>	<u>\$ 366,411</u>	<u>\$ 870,626</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,175</u>	<u>\$ 8,746</u>	<u>\$ 85,766,511</u>
<b>Cost</b>									
Balance, January 1, 2019	\$ 41,043,375	\$ 8,180,078	\$ 15,872,595	\$ 3,907,630	\$ 2,654,089	\$ 1,382,000	\$ 2,517,866	\$ 15,222	\$ 75,572,855
Addition	-	-	-	222,247	-	-	18	9,975	232,240
Disposals and retirements	-	-	-	(183,523)	-	-	-	-	(183,523)
Reclassification	-	-	-	150,700	-	-	-	-	150,700
Effect of exchange rate changes	-	-	-	(484)	-	-	-	-	(484)
Balance, December 31, 2019	<u>\$ 41,043,375</u>	<u>\$ 8,180,078</u>	<u>\$ 15,872,595</u>	<u>\$ 4,096,570</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,517,884</u>	<u>\$ 25,197</u>	<u>\$ 75,771,788</u>
<b>Accumulated amortization and impairment</b>									
Balance, January 1, 2019	\$ 7,663,274	\$ 1,031,305	\$ -	\$ 3,176,937	\$ 1,510,663	\$ -	\$ 1,493	\$ 13,538	\$ 13,397,210
Amortization	2,640,653	178,720	-	472,270	136,400	-	149	11,659	3,439,851
Disposals and retirements	-	-	-	(183,523)	-	-	-	-	(183,523)
Impairment loss	-	-	40,155	-	-	-	-	-	40,155
Effect of exchange rate changes	-	-	-	(380)	-	-	-	-	(380)
Balance, December 31, 2019	<u>\$ 10,303,927</u>	<u>\$ 1,210,025</u>	<u>\$ 40,155</u>	<u>\$ 3,465,304</u>	<u>\$ 1,647,063</u>	<u>\$ -</u>	<u>\$ 1,642</u>	<u>\$ 25,197</u>	<u>\$ 16,693,313</u>
Carrying amount, December 31, 2019	<u>\$ 30,739,448</u>	<u>\$ 6,970,053</u>	<u>\$ 15,832,440</u>	<u>\$ 631,266</u>	<u>\$ 1,007,026</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,242</u>	<u>\$ -</u>	<u>\$ 59,078,475</u>

The above intangible assets are amortized on a straight-line basis over their estimated useful lives 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 the Taipei City Government. Under the BOT contract, TNH obtained the right to build and operate a development project located at the old Songshan Tobacco Plant. The development concession premium of superficies is amortized on a straight-line basis during the contract period, and the construction costs are amortized on a straight-line basis from the completion date of the construction to the BOT contract expiry date.

c. Customer relationships, operating rights, and trademarks

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

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

d. Goodwill

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Mobile communication service	\$ 7,211,936	\$ 7,211,936
Fixed network service	357,970	357,970
Cable television business	3,269,636	3,269,636
Retail business	<u>4,979,566</u>	<u>4,992,898</u>
	<u>\$ 15,819,108</u>	<u>\$ 15,832,440</u>

e. Impairment of assets

In conformity with IAS 36 "Impairment of Assets", the Group identified its mobile communication service, fixed network service, cable television business, and retail business as the smallest identifiable units which can generate cash inflows independently.

The recoverable amounts of the operating assets were evaluated by business type, and the critical assumptions used for this evaluation were as follows:

1) Mobile communication service

a) Assumptions on cash flows

The five-year cash flow projections were estimated on the basis of previous experience, actual operating results, and the financial budget.

b) Assumptions on operating revenues

After taking changes in the telecom industry and the competitive landscape into consideration, operating revenues were estimated on the basis of the projected changes in subscriber numbers, minutes of incoming and outgoing calls, and rate plan composition.

c) Assumptions on operating costs and expenses

The estimates of activation commissions and customer retention costs were based on the new customers obtained and existing customers maintained. The estimates of remaining costs and expenses were based on the cost drivers of each item.

d) Assumptions on discount rates

For the years ended December 31, 2020 and 2019, the discount rates used to calculate the recoverable amount for the asset's cash-generating unit were 5.93% and 6.27%, respectively.

2) Fixed network service

a) Assumptions on cash flows

The five-year cash flow projections were estimated on the basis of previous experience, actual operating results, and the financial budget.

b) Assumptions on operating revenues

After taking changes and growth of business in the telecom industry into consideration, operating revenues were estimated on the basis of the types of data transmission and the demand for broadband capacity.

c) Assumptions on operating costs and expenses

The estimates of operating costs and expenses were based on the cost drivers of each cost and expense.

d) Assumptions on discount rates

For the years ended December 31, 2020 and 2019, the discount rates used to calculate the recoverable amount for the asset's cash-generating unit were 6.51% and 6.77%, respectively.

3) Cable television business

a) Assumptions on cash flows

The five-year cash flow projections were estimated on the basis of previous experience, actual operating results, and the financial budget.

b) Assumptions on operating revenues

After taking changes in the cable television industry and the competitive landscape into consideration, operating revenues were estimated on the basis of the projected changes in subscriber numbers and average revenue per subscriber.



c) Assumptions on operating costs and expenses

The estimates of commission costs, customer service costs, and bill processing costs were based on the projected changes in subscriber numbers. The estimates of remaining costs and expenses were based on the actual costs and expenses as a proportion of operating revenues.

d) Assumptions on discount rates

For the years ended December 31, 2020 and 2019, the discount rates used to calculate the recoverable amount for the asset's cash-generating unit for each system operator ranged from 7.41% to 8.46% and from 5.01% to 5.64%, respectively.

4) Retail business

a) Assumptions on cash flows

The five-year cash flow projections were estimated on the basis of previous experience, actual operating results, and the financial budget.

b) Assumptions on operating revenues

After taking changes in the retail business industry and the competitive landscape into consideration, operating revenues were estimated on the basis of the classification and average price of commodities, and the degree of the contribution of the customers.

c) Assumptions on operating costs and expenses

The estimates of costs and expenses were based on the actual costs and expenses as a proportion of operating revenues.

d) Assumptions on discount rates

For the years ended December 31, 2020 and 2019, the discount rates used to calculate the recoverable amount for the asset's cash-generating unit were 10.48% and 8.92%, respectively.

Based on the key assumptions of each cash-generating unit, the Group's management believes that the carrying amounts of these operating assets and intangible assets will not exceed their recoverable amounts even if there are any reasonable changes in the critical assumptions used to estimate recoverable amounts. For the years ended December 31, 2020 and 2019, impairment losses on goodwill, totaling \$13,332 thousand and \$40,155 thousand, respectively, were recognized as other gains and losses in the statement of comprehensive income since the operating conditions of subsidiaries were expected to decline in the future.

## 16. OTHER NON-CURRENT ASSETS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Long-term accounts receivable	\$ 296,045	\$ 325,482
Refundable deposits (Note)	698,876	1,633,054
Prepayments for equipment	90,741	131,228
Prepayments for investment	-	100,000
Others	<u>502,442</u>	<u>504,706</u>
	<u>\$ 1,588,104</u>	<u>\$ 2,694,470</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

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Unsecured loans	<u>\$ 9,800,000</u>	<u>\$ 16,270,000</u>
Annual interest rates	0.64%-0.88%	0.65%-0.95%

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

### b. Short-term notes and bills payable

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Short-term notes and bills payable	\$ 14,200,000	\$ 1,900,000
Less: Discounts on short-term notes and bills payable	<u>(4,615)</u>	<u>(1,889)</u>
	<u>\$ 14,195,385</u>	<u>\$ 1,898,111</u>
Annual interest rates	0.328%-0.418%	0.688%

### c. Long-term borrowings

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Unsecured loans	\$ 2,000,000	\$ 6,000,000
Secured loans	2,586,036	2,889,373
Commercial papers payable	6,500,000	-
Less: Current portion	(2,303,375)	(303,297)
Less: Discounts on commercial papers payable	<u>(2,580)</u>	<u>-</u>
	<u>\$ 8,780,081</u>	<u>\$ 8,586,076</u>
Annual interest rates:		
Unsecured loans	0.79%	0.72%-0.79%
Secured loans	1.7495%	2.0337%
Commercial papers payable	0.687%-0.697%	-

#### 1) Unsecured loans

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

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.

3) Commercial papers payable

TWM's commercial papers payable are treated as revolving credit facilities under the contracts. The repayment dates of the commercial papers payable are no later than December 2023.

## 18. BONDS PAYABLE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
5th domestic unsecured straight corporate bonds	\$ 14,991,472	\$ 14,988,914
6th domestic unsecured straight corporate bonds	19,981,751	-
3rd domestic unsecured convertible bonds	632,030	914,522
Less: Current portion	<u>(632,030)</u>	<u>-</u>
	<u>\$ 34,973,223</u>	<u>\$ 15,903,436</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 December 31, 2020, the amount of unamortized bond issue cost was \$8,528 thousand. The trustee of bond holders is Bank of Taiwan.

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

<b>Year</b>	<b>Amount</b>
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 December 31, 2020, the amount of unamortized bond issue cost was \$18,249 thousand. The trustee of bond holders is Bank of Taiwan.

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

<b>Year</b>	<b>Amount</b>
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 December 31, 2020, the amount of unamortized bond discount was \$5,170 thousand.

Proceeds of the issuance (minus transaction costs \$10,870 thousand)	\$ 9,989,130
Equity component	(400,564)
Financial liabilities	<u>(35,961)</u>
Liability component at the date of issuance	9,552,605
Interest charged at an effective interest rate	233,031
Convertible bonds converted into common stock	<u>(8,871,114)</u>
Liability component on December 31, 2019	914,522
Interest charged at an effective interest rate	7,287
Convertible bonds converted into common stock	<u>(289,779)</u>
 Liability component on December 31, 2020	 <u>\$ 632,030</u>

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

## 19. PROVISIONS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Restoration	\$ 1,110,392	\$ 1,183,427
Decommissioning	385,375	324,693
Warranties	<u>21,935</u>	<u>40,111</u>
	<u>\$ 1,517,702</u>	<u>\$ 1,548,231</u>
Current	\$ 68,531	\$ 88,961
Non-current	<u>1,449,171</u>	<u>1,459,270</u>
	<u>\$ 1,517,702</u>	<u>\$ 1,548,231</u>

	<b>Restoration</b>	<b>Decom- missioning</b>	<b>Warranties</b>	<b>Total</b>
Balance, January 1, 2020	\$ 1,183,427	\$ 324,693	\$ 40,111	\$ 1,548,231
Provision	37,816	51,540	35,458	124,814
Payment/Reversal	(114,509)	-	(53,634)	(168,143)
Unwinding of discount	<u>3,658</u>	<u>9,142</u>	<u>-</u>	<u>12,800</u>
Balance, December 31, 2020	<u>\$ 1,110,392</u>	<u>\$ 385,375</u>	<u>\$ 21,935</u>	<u>\$ 1,517,702</u>
Balance, January 1, 2019	\$ 1,184,823	\$ 268,536	\$ 67,929	\$ 1,521,288
Provision	50,172	50,233	68,301	168,706
Payment/Reversal	(55,731)	(1,714)	(96,119)	(153,564)
Unwinding of discount	<u>4,163</u>	<u>7,638</u>	<u>-</u>	<u>11,801</u>
Balance, December 31, 2019	<u>\$ 1,183,427</u>	<u>\$ 324,693</u>	<u>\$ 40,111</u>	<u>\$ 1,548,231</u>

## 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 provision, the Group's contribution to the pension plan amounted to \$329,335 thousand and \$311,921 thousand for the years ended December 31, 2020 and 2019, respectively.

### b. Defined benefit plans

The Group contributed 2% of each employee's monthly wages to the pension fund, with Bank of Taiwan acting as the custodian bank, in accordance with the defined benefit plans (Plans). The Plan provides defined pension benefits for the Group's certain qualified employees, specified under the Labor Standards Law, and such benefits are determined based on an employee's years of service and average monthly salary for six-month period prior to the date of retirement. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group will fund the difference in one appropriation before the end of March of the following year. The fund is operated and managed by the government's designated authorities; as such, the Group does not have any right to participate in the operation of the fund.

The defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligations	\$ 1,564,818	\$ 1,500,604
Fair value of plan assets	<u>(1,030,747)</u>	<u>(983,429)</u>
Net defined benefit liabilities	<u>\$ 534,071</u>	<u>\$ 517,175</u>

The movements in present value of defined benefit obligations for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance, January 1	\$ 1,500,604	\$ 1,415,592
Current service costs	2,041	2,103
Past service costs	(62)	(854)
Interest costs	12,949	17,093
Actuarial loss - changes in demographic assumptions	6,236	26,252
Actuarial loss - changes in financial assumptions	78,761	69,940
Actuarial gain - experience adjustments	(7,089)	(11,438)
Benefits paid from plan assets	(23,066)	(15,296)
Paid from defined benefit obligations	<u>(5,556)</u>	<u>(2,788)</u>
Balance, December 31	<u>\$ 1,564,818</u>	<u>\$ 1,500,604</u>

The movements in the fair value of the plan assets for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance, January 1	\$ 983,429	\$ 904,712
Net interest income	8,682	11,323
Return on plan assets (excluding amounts included in net interest)	30,657	29,628
Contributions from the employer	31,045	53,062
Benefits paid from plan assets	<u>(23,066)</u>	<u>(15,296)</u>
Balance, December 31	<u>\$ 1,030,747</u>	<u>\$ 983,429</u>

The expenses recognized in profit or loss for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current service costs	\$ 2,041	\$ 2,103
Past service costs	(62)	(854)
Interest costs	12,949	17,093
Net interest income	<u>(8,682)</u>	<u>(11,323)</u>
	<u>\$ 6,246</u>	<u>\$ 7,019</u>

The pre-tax remeasurements recognized in other comprehensive income (loss) for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Return on plan assets (excluding amounts included in net interest)	\$ (30,657)	\$ (29,628)
Actuarial loss - changes in demographic assumptions	6,236	26,252
Actuarial loss - changes in financial assumptions	78,761	69,940
Actuarial gain - experience adjustments	<u>(7,089)</u>	<u>(11,438)</u>
	<u>\$ 47,251</u>	<u>\$ 55,126</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial present values of the defined benefit obligation were carried out by the chartered actuary.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate	0.35%-0.5%	0.75%-1%
Long-term average adjustment rate of salary	2.5%-3%	2.5%-3%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate		
0.25% increase	<u>\$ (50,430)</u>	<u>\$ (50,626)</u>
0.25% decrease	<u>\$ 52,565</u>	<u>\$ 52,850</u>
Long-term average adjustment rate of salary		
0.25% increase	<u>\$ 50,680</u>	<u>\$ 51,172</u>
0.25% decrease	<u>\$ (48,906)</u>	<u>\$ (49,300)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
The expected contributions to the Plan for the following year	<u>\$ 32,148</u>	<u>\$ 32,349</u>
The average duration of the defined benefit obligation	11-16.6 years	11-17.4 years

## 21. EQUITY

### a. Share capital

As of December 31, 2020 and 2019, TWM's authorized capital was \$60,000,000 thousand and capital issued and outstanding were \$35,124,215 thousand and \$34,959,441 thousand, respectively, divided into 3,512,421 thousand shares and 3,495,944 thousand shares, respectively, which were all common stocks, at a par value of \$10 each.

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



b. Capital surplus

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Additional paid-in capital from convertible corporate bonds	\$ 13,102,020	\$ 14,424,786
Treasury stock transactions	5,159,704	5,159,704
Difference between consideration and carrying amount arising from the disposal of subsidiaries' stock	85,965	85,965
Changes in equity of subsidiaries	501,215	501,215
Convertible bonds payable options	25,524	37,273
Changes in equity of associates accounted for using equity method	26,342	30,801
Others	<u>35,804</u>	<u>34,950</u>
	<u>\$ 18,936,574</u>	<u>\$ 20,274,694</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:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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.

TWM’s 2020 earnings appropriations will be proposed by the Board of Directors and approved in the AGM. Information on earnings appropriations is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity interests

	<b>Exchange Differences on Translation</b>	<b>Unrealized Gain (Loss) on Financial Assets at FVTOCI</b>	<b>Total</b>
Balance, January 1, 2020	\$ (34,505)	\$ 473,410	\$ 438,905
Exchange differences on translation	4,190	-	4,190
Changes in fair value of financial assets at FVTOCI	-	(886,398)	(886,398)
Unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(2,052,067)	(2,052,067)
Changes in other comprehensive income of associates accounted for using equity method	(1,364)	6,497	5,133
Other comprehensive income transferred to retained earnings due to disposal of investments accounted for using equity method	-	(2,196)	(2,196)
Income tax effect	-	42,694	42,694
Balance, December 31, 2020	<u>\$ (31,679)</u>	<u>\$ (2,418,060)</u>	<u>\$ (2,449,739)</u>

(Continued)

	<b>Exchange Differences on Translation</b>	<b>Unrealized Gain (Loss) on Financial Assets at FVTOCI</b>	<b>Total</b>
Balance, January 1, 2019	\$ (24,398)	\$ (70,983)	\$ (95,381)
Exchange differences on translation	(12,227)	-	(12,227)
Changes in fair value of financial assets at FVTOCI	-	470,394	470,394
Changes in other comprehensive income of associates accounted for using equity method	2,120	10,667	12,787
Income tax effect	<u>-</u>	<u>63,332</u>	<u>63,332</u>
Balance, December 31, 2019	<u>\$ (34,505)</u>	<u>\$ 473,410</u>	<u>\$ 438,905</u>

(Concluded)

e. Treasury stock

As of December 31, 2020 and 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 \$69,106,533 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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
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	1,107,225	810,700
Exchange differences on translation	3,574	(12,219)
Unrealized gain on financial assets at FVTOCI	3,253	2,357
Share of other comprehensive income of associates accounted for using equity method	12,170	6,859
Changes in equity of associates accounted for using equity method	(1,490)	(83,749)
Changes in capital surplus due to disposal of investments accounted for using equity method	(3,344)	-
Remeasurements of defined benefit plans	(217)	(54)
Cash dividends paid to non-controlling interests of subsidiaries	<u>(655,043)</u>	<u>(693,361)</u>
Ending balance	<u>\$ 6,625,112</u>	<u>\$ 6,158,984</u>

## 22. OPERATING REVENUES

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue from contracts with customers		
Telecommunications and value-added services	\$ 44,766,375	\$ 48,135,239
Sales revenue	81,100,093	68,983,292
Cable TV and broadband services	6,018,939	5,949,073
Others	814,164	1,191,230
Other operating revenues	<u>161,413</u>	<u>162,079</u>
	<u>\$ 132,860,984</u>	<u>\$ 124,420,913</u>

a. Contract information

Please refer to Note 4 and Note 35.

b. Contract balances

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Contract assets			
Bundle sales	\$ 8,441,819	\$ 8,366,531	\$ 8,755,126
Less: Allowance for impairment loss	<u>(71,687)</u>	<u>(71,032)</u>	<u>(74,250)</u>
	<u>\$ 8,370,132</u>	<u>\$ 8,295,499</u>	<u>\$ 8,680,876</u>
Current	\$ 4,617,051	\$ 4,832,043	\$ 5,472,357
Non-current	<u>3,753,081</u>	<u>3,463,456</u>	<u>3,208,519</u>
	<u>\$ 8,370,132</u>	<u>\$ 8,295,499</u>	<u>\$ 8,680,876</u>

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

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk as the trade receivables. Therefore, the Group concluded that the expected loss rates for trade receivables can be applied to the contract assets. As of December 31, 2020 and 2019, the expected credit loss rates were both 0.02%-0.85%.

Movements of the loss allowance of contract assets were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 71,032	\$ 74,250
Provision (recovery)	<u>655</u>	<u>(3,218)</u>
Ending balance	<u>\$ 71,687</u>	<u>\$ 71,032</u>

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities			
Telecommunications and value-added services	\$ 1,289,917	\$ 1,125,265	\$ 1,235,446
Sales of goods	36,981	42,417	141,343
Cable TV and broadband services	656,162	672,667	694,228
Others	<u>12,456</u>	<u>12,351</u>	<u>15,920</u>
	<u>\$ 1,995,516</u>	<u>\$ 1,852,700</u>	<u>\$ 2,086,937</u>
Current	\$ 1,892,749	\$ 1,807,407	\$ 2,030,793
Non-current	<u>102,767</u>	<u>45,293</u>	<u>56,144</u>
	<u>\$ 1,995,516</u>	<u>\$ 1,852,700</u>	<u>\$ 2,086,937</u>

The changes in balances of contract assets and contract liabilities primarily result from the timing difference between the satisfaction of performance obligations and the payments collected from customers. Other significant changes were as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Contract assets		
Transfers of beginning balance to receivables	\$ 4,872,478	\$ 5,436,072

Revenue recognized in the current year from the contract liabilities at the beginning of the year is as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Contract liabilities		
Telecommunications and value-added services	\$ 1,059,456	\$ 1,116,074
Sales of goods	41,106	120,781
Cable TV and broadband services	662,605	683,439
Others	<u>10,978</u>	<u>12,688</u>
	<u>\$ 1,774,145</u>	<u>\$ 1,932,982</u>

c. Partially completed contracts

As of December 31, 2020, the transaction prices allocated to the performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as follows:

	Telecommuni- cations and Value-added Services	Cable TV and Broadband Services	Others	Total
- in 2021	\$ 25,937,944	\$ 19,978	\$ 338,968	\$ 26,296,890
- in 2022	11,674,870	9,957	301,034	11,985,861
- after 2022	<u>3,397,226</u>	<u>-</u>	<u>2,308,945</u>	<u>5,706,171</u>
	<u>\$ 41,010,040</u>	<u>\$ 29,935</u>	<u>\$ 2,948,947</u>	<u>\$ 43,988,922</u>

The above information does not include contracts with expected durations which are equal to or less than one year.

d. Assets related to contract costs

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Incremental costs of obtaining a contract - non-current	<u>\$ 1,771,884</u>	<u>\$ 2,119,052</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. The amounts of amortization recognized for the years ended December 31, 2020 and 2019 were \$1,718,101 thousand and \$2,483,997 thousand, respectively.

### 23. NON-OPERATING INCOME AND EXPENSES

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Dividend income	\$ 102,762	\$ 117,211
Other income	<u>18,830</u>	<u>79,374</u>
	<u>\$ 121,592</u>	<u>\$ 196,585</u>

b. Other gains and losses, net

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Loss on disposal and retirement of property, plant and equipment, net	\$ (257,006)	\$ (277,123)
Loss on disposal and retirement of intangible assets, net	(64,703)	-
Gain on disposal of investments accounted for using equity method	73,859	-
Valuation gain (loss) on financial assets at FVTPL	(149)	1,039
Valuation gain on financial liabilities at FVTPL	-	1,819
Impairment loss on intangible assets	(13,332)	(40,155)
Loss on foreign exchange, net	(5,933)	(40,890)
Others	<u>(122)</u>	<u>(3,821)</u>
	<u>\$ (267,386)</u>	<u>\$ (359,131)</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest expense		
Bank loans	\$ 188,266	\$ 193,088
Corporate bonds	257,226	249,243
Lease liabilities	86,572	96,987
Commercial papers payable	58,851	12,232
Others	<u>27,673</u>	<u>28,176</u>
	618,588	579,726
Less: Capitalized interest	<u>-</u>	<u>(4,946)</u>
	<u>\$ 618,588</u>	<u>\$ 574,780</u>
Capitalization rates	-	1.34%

**24. INCOME TAX**

a. Income tax recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current income tax expense		
Current period	\$ 2,988,136	\$ 3,169,982
Prior years' adjustment	(18,314)	46,802
Others	<u>-</u>	<u>(16,483)</u>
	<u>2,969,822</u>	<u>3,200,301</u>
Deferred income tax expense		
Temporary differences	<u>94,191</u>	<u>89,642</u>
Income tax expense	<u>\$ 3,064,013</u>	<u>\$ 3,289,943</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before tax	<u>\$ 15,457,791</u>	<u>\$ 16,581,810</u>
Income tax expense at domestic statutory tax rate	\$ 3,091,558	\$ 3,316,362
Effect of different tax rates on the group entities	481	382
Adjustment items in determining taxable profit	(104,834)	(93,992)
Temporary differences	94,191	89,642
Investment tax credits	(94)	(43,053)
Loss carryforwards	(1,817)	(10,002)
Land value increment tax	2,842	285
Prior years' other adjustments	(18,314)	46,802
Others	<u>-</u>	<u>(16,483)</u>
	<u>\$ 3,064,013</u>	<u>\$ 3,289,943</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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Deferred income tax income		
Unrealized gain on financial assets at FVTOCI	\$ 42,694	\$ 63,332
Remeasurements from defined benefit plans	<u>9,450</u>	<u>11,025</u>
	<u>\$ 52,144</u>	<u>\$ 74,357</u>

c. Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the Year Ended December 31, 2020</b>			
	<b>Recognized in</b>			
	<b>Opening Balance</b>	<b>Profit or Loss</b>	<b>Other Comprehensive Income (Loss)</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Property, plant and equipment	\$ 339,884	\$ (10,545)	\$ -	\$ 329,339
Defined benefit plans	108,468	(6,105)	9,450	111,813
Financial assets at FVTOCI	69,908	-	43,143	113,051
Others	<u>320,980</u>	<u>8,184</u>	<u>-</u>	<u>329,164</u>
	<u>\$ 839,240</u>	<u>\$ (8,466)</u>	<u>\$ 52,593</u>	<u>\$ 883,367</u>
<u>Deferred tax liabilities</u>				
Intangible assets	\$ 969,023	\$ 83,220	\$ -	\$1,052,243
Financial assets at FVTOCI	4,862	-	449	5,311
Others	<u>3,675</u>	<u>2,505</u>	<u>-</u>	<u>6,180</u>
	<u>\$ 977,560</u>	<u>\$ 85,725</u>	<u>\$ 449</u>	<u>\$1,063,734</u>



**For the Year Ended December 31, 2019**

	Opening Balance	Effect of Application	Recognized in		Closing Balance
			Profit or Loss	Other Comprehensive Income (Loss)	
<u>Deferred tax assets</u>					
Property, plant and equipment	\$ 354,881	\$ -	\$ (14,997)	\$ -	\$ 339,884
Defined benefit plans	107,209	-	(9,766)	11,025	108,468
Investment credits	18,558	-	(18,558)	-	-
Financial assets at FVTOCI	7,525	-	-	62,383	69,908
Others	<u>318,348</u>	<u>(11,596)</u>	<u>14,228</u>	<u>-</u>	<u>320,980</u>
	<u>\$ 806,521</u>	<u>\$ (11,596)</u>	<u>\$ (29,093)</u>	<u>\$ 73,408</u>	<u>\$ 839,240</u>
<u>Deferred tax liabilities</u>					
Intangible assets	\$ 903,335	\$ -	\$ 65,688	\$ -	\$ 969,023
Financial assets at FVTOCI	5,811	-	-	(949)	4,862
Others	<u>8,115</u>	<u>699</u>	<u>(5,139)</u>	<u>-</u>	<u>3,675</u>
	<u>\$ 917,261</u>	<u>\$ 699</u>	<u>\$ 60,549</u>	<u>\$ (949)</u>	<u>\$ 977,560</u>

2) Unrecognized deferred tax assets items

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Loss carryforwards	<u>\$ 154,690</u>	<u>\$ 298,829</u>

As of December 31, 2020, the Group had not recognized the prior years' loss carryforwards, totaling \$154,690 thousand, as deferred tax assets. The expiry years are from 2021 to 2030.

d. 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
TVC	2019
TNH	2018
TFN	2018
TT&T	2018
TCCI	2019
TDS	2019
TPIA	2019
TFC	2018
TUI	2018
TID	2018
TKT	2019
TFNM	2017
GFMT	2019
GWMT	2018
WTVB	2018
YJCTV	2017
MCTV	2018
PCTV	2017
UCTV	2017
GCTV	2017
momo	2018
FLI	2019
FPI	2019
FST	2019
Bebe Poshe	2019

**25. EARNINGS PER SHARE**

	<u>For the Year Ended December 31, 2020</u>		
	<u>Amount After</u>	<u>Weighted-</u>	<u>EPS</u>
	<u>Income Tax</u>	<u>average Number</u>	<u>(NT\$)</u>
		<u>of Shares</u>	
		<u>(In Thousands)</u>	
Basic EPS			
Profit attributable to owners of the parent	\$ 11,286,553	2,811,916	<u>\$ 4.01</u>
Effect of potential dilutive common stock:			
Employees' compensation	-	4,119	
Convertible bonds	<u>7,287</u>	<u>8,419</u>	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 11,293,840</u>	<u>2,824,454</u>	<u>\$ 3.99</u>

	<b>For the Year Ended December 31, 2019</b>		
	<b>Amount After Income Tax</b>	<b>Weighted- average Number of Shares (In Thousands)</b>	<b>EPS (NT\$)</b>
Basic EPS			
Profit attributable to owners of the parent	\$ 12,481,167	2,767,709	<u>\$ 4.51</u>
Effect of potential dilutive common stock:			
Employees' compensation	-	3,863	
Convertible bonds	<u>45,453</u>	<u>52,208</u>	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 12,526,620</u>	<u>2,823,780</u>	<u>\$ 4.44</u>

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 Year Ended December 31, 2020

	<b>Opening Balance</b>	<b>Cash Flows</b>	<b>Non-cash Changes</b>		<b>Closing Balance</b>
			<b>New Leases</b>	<b>Others</b>	
Lease liabilities (including current and non-current portions)	<u>\$ 9,650,389</u>	<u>\$ (3,967,461)</u>	<u>\$ 3,691,184</u>	<u>\$ (337,157)</u>	<u>\$ 9,036,955</u>

### For the Year Ended December 31, 2019

	<b>Opening Balance</b>	<b>Cash Flows</b>	<b>Non-cash Changes</b>		<b>Closing Balance</b>
			<b>New Leases</b>	<b>Others</b>	
Lease liabilities (including current and non-current portions)	<u>\$ 9,980,846</u>	<u>\$ (3,873,221)</u>	<u>\$ 3,711,597</u>	<u>\$ (168,833)</u>	<u>\$ 9,650,389</u>

## 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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets</u>		
Financial assets at FVTPL	\$ -	\$ 149
Financial assets at FVTOCI (including current and non-current portions)	2,535,192	5,492,381
Financial assets measured at amortized cost (including current and non-current portions) (Note 1)	<u>21,990,185</u>	<u>20,722,936</u>
	<u>\$ 24,525,377</u>	<u>\$ 26,215,466</u>

### Financial liabilities

Financial liabilities measured at amortized cost (including current and non-current portions) (Note 2)	<u>\$ 93,671,945</u>	<u>\$ 61,453,923</u>
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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 long-term and short-term borrowings, commercial papers payable, notes and accounts payable, other payables, other financial liabilities (classified as other current liabilities), bonds payable and guarantee deposits, which were financial liabilities carried at amortized cost.

### b. Fair value of financial instruments

#### 1) Financial instruments not measured 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.

	<b>December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial liabilities</u>				
Bonds payable (including current portion)	\$ 35,605,253	\$ 35,885,879	\$ 15,903,436	\$ 16,077,220

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

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

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

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

December 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Equity instruments				
Limited partnerships	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 1,218,340	\$ -	\$ -	\$ 1,218,340
Domestic unlisted stocks	-	-	657,756	657,756
Limited partnerships	-	-	249,827	249,827
Foreign unlisted stocks	_____ -	_____ 8,533	_____ 400,736	_____ 409,269
	<u>\$ 1,218,340</u>	<u>\$ 8,533</u>	<u>\$ 1,308,319</u>	<u>\$ 2,535,192</u>

December 31, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Beneficiary certificates	\$ _____ -	\$ _____ -	\$ _____ 149	\$ _____ 149
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 4,819,602	\$ -	\$ -	\$ 4,819,602
Domestic unlisted stocks	-	-	173,515	173,515
Limited partnerships	-	-	462,068	462,068
Foreign unlisted stocks	_____ -	_____ 7,407	_____ 29,789	_____ 37,196
	<u>\$ 4,819,602</u>	<u>\$ 7,407</u>	<u>\$ 665,372</u>	<u>\$ 5,492,381</u>

There was no transfer between the fair value measurements of Levels 1 and 2 for the years ended December 31, 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 10.7% to 25% and 20% to 30% as of December 31, 2020 and 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% and 29.6% as of December 31, 2020 and 2019, respectively.

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

For the Year Ended December 31, 2020

	<b>Financial Assets at FVTPL - Equity Instruments</b>	<b>Financial Assets at FVTOCI - Equity Instruments</b>
Balance at January 1, 2020	\$ 149	\$ 665,372
Additions	-	890,712
Recognized in profit or loss (loss on financial assets at FVTPL)	(149)	-
Recognized in other comprehensive income (unrealized loss on financial assets at FVTOCI)	-	(247,765)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$1,308,319</u>

For the Year Ended December 31, 2019

	<b>Financial Assets at FVTPL - Equity Instruments</b>	<b>Financial Assets at FVTOCI - Equity Instruments</b>
Balance at January 1, 2019	\$ -	\$ 984,950
Additions	2,500	-
Recognized in profit or loss (loss on financial assets at FVTPL)	(2,351)	-
Recognized in other comprehensive income (unrealized loss on financial assets at FVTOCI)	<u>-</u>	<u>(319,578)</u>
Balance at December 31, 2019	<u>\$ 149</u>	<u>\$ 665,372</u>

c. Financial risk management

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

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

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

2) Risk management framework

a) Decision-making mechanism

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

b) Risk management policies

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

c) Monitoring mechanism

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

### 3) Credit risk

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

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

### 4) Liquidity risk

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

The Group manages and maintains sufficient level of capital to ensure the requirements of paying estimated operating expenditures, including financial obligations on each contract. The Group also monitors its bank credit facilities to ensure that the Group fully complies with the provisions and financial covenants of loan contracts. As of December 31, 2020 and 2019, the Group had unused bank facilities of \$65,511,976 thousand and \$56,641,022 thousand, respectively.

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

	<b>Contractual Cash Flows</b>	<b>Within 1 Year</b>	<b>1-5 Years</b>	<b>More Than 5 Years</b>
<u>December 31, 2020</u>				
Unsecured loans	\$ 11,818,822	\$ 11,818,822	\$ -	\$ -
Secured loans	2,736,728	347,574	2,389,154	-
Commercial papers payable	20,831,278	14,242,137	6,589,141	-
Bonds payable	37,221,840	912,080	20,997,760	15,312,000
Lease liabilities	<u>9,163,237</u>	<u>3,574,784</u>	<u>5,501,261</u>	<u>87,192</u>
	<u>\$ 81,771,905</u>	<u>\$ 30,895,397</u>	<u>\$ 35,477,316</u>	<u>\$ 15,399,192</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	-
Commercial papers 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>



## 5) Market risk

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

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

### a) Exchange rate risk

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

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

	<b>December 31, 2020</b>		
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 52,099	28.48	\$ 1,483,792
EUR	1,021	34.94	35,666
RMB	25,768	4.372	112,657
Non-monetary items			
USD	22,843	28.48	650,563
RMB	138,695	4.372	606,376
HKD	2,323	3.673	8,533
THB	201,029	0.956	192,103
<u>Foreign currency liabilities</u>			
Monetary items			
USD	9,931	28.48	282,855
EUR	61	34.94	2,142
HKD	5,751	3.673	21,122
JPY	29,867	0.276	8,234

	<b>December 31, 2019</b>		
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 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
<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

Refer to Note 23(b) for the information related to the Group's realized and unrealized foreign exchange gains (losses) for the years ended December 31, 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 \$65,888 thousand and \$57,539 thousand for the years ended December 31, 2020 and 2019, respectively.

#### b) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial assets	\$ 5,218,262	\$ 5,763,639
Financial liabilities	76,502,983	41,837,415
Cash flow interest rate risk		
Financial assets	6,486,835	3,697,273
Financial liabilities	2,586,036	9,859,372

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 \$19,504 thousand and decreased by \$30,810 thousand for the years ended December 31, 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 \$7 thousand since the fair value of financial assets at FVTPL decreased for the year ended December 31, 2019, and other comprehensive income would have decreased by \$126,760 thousand and \$274,619 thousand since the fair value of financial assets at FVTOCI decreased for the years ended December 31, 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

(Continued)

<b>Related Party</b>	<b>Nature of Relationship</b>
kbro Media	Associate
M.E.	Associate
TV Direct	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)
AppWorks School Co., Ltd.	Associate (subsidiary of AppWorks)
Good Image Co., Ltd.	Associate (subsidiary of kbro Media)
TVD Shopping	Associate (subsidiary of TV Direct, not a related party since November 2020)
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
Chen Yun Co., Ltd.	Other related party
Xi Guo Co., Ltd.	Other related party
Cho Pharma Inc.	Other related party
Dun Fu Industrial Corporation Limited.	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

(Continued)

<u>Related Party</u>	<u>Nature of Relationship</u>
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 Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Associates	\$ 47,301	\$ 77,795
Other related parties	<u>923,626</u>	<u>903,270</u>
	<u>\$ 970,927</u>	<u>\$ 981,065</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 Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Associates	\$ 813,516	\$ 588,655
Other related parties	<u>287,412</u>	<u>369,691</u>
	<u>\$ 1,100,928</u>	<u>\$ 958,346</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

<u>Account</u>	<u>Related Party Categories</u>	<u>December 31</u>	
		<u>2020</u>	<u>2019</u>
Accounts receivable	Associates	\$ 2,266	\$ 4,729
Accounts receivable	Other related parties	<u>176,565</u>	<u>141,457</u>
		<u>\$ 178,831</u>	<u>\$ 146,186</u>
Other receivables	Associates	\$ 63,244	\$ 63,988
Other receivables	Other related parties	<u>111,681</u>	<u>65,285</u>
		<u>\$ 174,925</u>	<u>\$ 129,273</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

<b>Account</b>	<b>Related Party Categories</b>	<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
Accounts payable	Associates	\$ 99,281	\$ 101,077
Accounts payable	Other related parties	<u>61,275</u>	<u>34,085</u>
		<u>\$ 160,556</u>	<u>\$ 135,162</u>
Other payables	Other related parties	<u>\$ 16,189</u>	<u>\$ 13,723</u>

5) Prepayments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Other related parties	<u>\$ 10,353</u>	<u>\$ 15,803</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Other related parties		
TFCB	\$ 1,807,422	\$ 2,102,334
Others	<u>24,798</u>	<u>18,736</u>
	<u>\$ 1,832,220</u>	<u>\$ 2,121,070</u>

7) Cash equivalents

For the Year Ended December 31, 2019

<b>Related Party</b>	<b>Target Acquired</b>	<b>Purchase Price</b>		
TFCB	Government bonds with repurchase rights			<u>\$ 240,000</u>
<b>Related Party</b>	<b>Target Disposed</b>	<b>Original Purchase Price</b>	<b>Proceeds</b>	<b>Interest Income</b>
TFCB	Government bonds with repurchase rights	<u>\$ 386,013</u>	<u>\$ 386,049</u>	<u>\$ 36</u>

8) Financial assets at FVTPL - current

For the Year Ended December 31, 2019

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

The cumulative losses were \$15,136 thousand, and the Group recognized \$3,390 thousand as gain for the year ended December 31, 2019.

9) Acquisition of investments accounted for using equity method

For the Year Ended December 31, 2020

<b>Related Party</b>	<b>Target</b>	<b>Number of Shares (In Thousands)</b>	<b>Purchase Price</b>
AppWorks Fund III	AppWorks Fund III	33,000	\$ 330,000
kbro Media	kbro Media	4,875	<u>48,750</u>
			<u>\$ 378,750</u>

For the Year Ended December 31, 2019

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

10) Others

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Guarantee deposits		
Other related parties	<u>\$ 60,135</u>	<u>\$ 54,256</u>
Other current liabilities - receipts under custody		
Other related parties	<u>\$ 150,528</u>	<u>\$ 123,993</u>

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating expenses		
Other related parties		
TMF	\$ 15,650	\$ 13,100
TNHF	5,000	5,000
TFCB	195,966	247,114
Others	<u>162,605</u>	<u>174,438</u>
	<u>\$ 379,221</u>	<u>\$ 439,652</u>
Other income		
Associates	\$ 10,643	\$ -
Other related parties		
TFCB	66,439	2,218
Others	<u>666</u>	<u>15,734</u>
	<u>\$ 77,748</u>	<u>\$ 17,952</u>

11) Lease arrangements

Acquisition of right-of-use assets

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Other related parties	<u>\$ 47,052</u>	<u>\$ 92,694</u>

Lease liabilities (including current and non-current portions)

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Other related parties	<u>\$ 431,137</u>	<u>\$ 611,736</u>

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

d. Key management compensation

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 313,308	\$ 292,411
Termination and post-employment benefits	<u>7,757</u>	<u>18,528</u>
	<u>\$ 321,065</u>	<u>\$ 310,939</u>



### 30. ASSETS PLEDGED

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Other current financial assets	\$ 169,230	\$ 165,201
Service concessions	6,791,334	6,970,053
Other non-current financial assets	<u>355,432</u>	<u>271,653</u>
	<u>\$ 7,315,996</u>	<u>\$ 7,406,907</u>

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Purchases of property, plant and equipment	<u>\$ 8,695,105</u>	<u>\$ 3,670,907</u>
Purchases of cellular phones	<u>\$ 5,500,331</u>	<u>\$ 2,268,710</u>

As of December 31, 2020 and 2019, the amounts of lease commitments commencing after the balance sheet date were \$619,099 thousand and \$648,683 thousand, respectively.

- b. As of December 31, 2020 and 2019, the amounts of endorsements and guarantees provided to entities in the Group were both \$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 \$612,902 thousand and \$14,969 thousand, respectively, as of December 31, 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 December 31, 2020, the cable television companies had provided \$74,519 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 \$85,956 thousand and \$93,867 thousand, respectively, as of December 31, 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 December 31, 2020, \$736,937 thousand (tax included) of the concession had been paid.

3) Performance guarantee:

As of December 31, 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 judgment) 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 judgment) 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. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In February 2021, the Board of Directors of momo, one of TWM's subsidiaries, resolved that momo would dispose of 14,793 thousand shares of common stock of TPE at selling prices no less than \$30 per share in batches.

### 33. OTHERS

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

	For the Year Ended December 31					
	2020			2019		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 2,486,031	\$ 4,979,346	\$ 7,465,377	\$ 2,265,080	\$ 4,672,180	\$ 6,937,260
Insurance expenses	214,260	426,640	640,900	189,966	411,739	601,705
Pension	112,624	221,517	334,141	102,099	209,627	311,726
Others	119,928	262,079	382,007	107,486	256,185	363,671
Depreciation	10,091,596	1,014,474	11,106,070	11,750,782	1,004,958	12,755,740
Amortization	3,832,801	2,052,414	5,885,215	3,036,555	2,887,293	5,923,848

#### 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 calculated by applying the rates to the aforementioned profit before income tax, for the years ended December 31, 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 2020 and 2019 shown below were approved by the Board of Directors on February 25, 2021 and February 21, 2020, respectively. The differences with the amounts recognized in the consolidated financial statements have been adjusted in 2021 and 2020, respectively.

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Employees' Compensation Paid in Cash</b>	<b>Remuneration of Directors</b>	<b>Employees' Compensation Paid in Cash</b>	<b>Remuneration of Directors</b>
Amounts approved by the Board of Directors	<u>\$ 390,869</u>	<u>\$ 39,087</u>	<u>\$ 437,880</u>	<u>\$ 43,788</u>
Amounts recognized in the consolidated financial statements	<u>\$ 351,782</u>	<u>\$ 35,178</u>	<u>\$ 394,092</u>	<u>\$ 39,409</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, the COVID-19 epidemic did not have a significant impact on the Group's operating ability, financing situation and assessment of asset impairment, and the Group is continuously monitoring and assessing the situation.

### 34. 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 or 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 investments 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 investments 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)

### 35. 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, 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 telecommunication, retail, and cable television.

For the Year Ended December 31, 2020	Telecommuni- cations	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$ 61,532,926	\$ 67,198,104	\$ 6,192,972	\$ 554,306	\$ (2,617,324)	\$ 132,860,984
Operating costs	39,295,803	60,883,619	3,187,087	318,950	(2,270,211)	101,415,248
Operating expenses	11,192,095	4,199,106	794,914	56,488	(520,462)	15,722,141
Net other income and expenses	279,681	103,711	(2,698)	1,111	(49,240)	332,565
Profit	11,324,709	2,219,090	2,208,273	179,979	124,109	16,056,160
EBITDA (Note)	24,867,445	3,034,201	2,928,278	373,187	126,233	31,329,344

For the Year Ended December 31, 2019	Telecommuni- cations	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$ 67,384,770	\$ 51,830,417	\$ 6,089,688	\$ 598,050	\$ (1,482,012)	\$ 124,420,913
Operating costs	42,561,416	46,745,781	3,237,440	345,741	(1,278,200)	91,612,178
Operating expenses	12,067,423	3,458,294	770,045	58,989	(239,584)	16,115,167
Net other income and expenses	501,358	29,287	10,188	2,709	(43,775)	499,767
Profit	13,257,289	1,655,629	2,092,391	196,029	(8,003)	17,193,335
EBITDA (Note)	27,618,141	2,328,619	3,079,032	408,399	(45,265)	33,388,926

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

a. Geographical information

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

Consolidated geographic information for revenues was as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Taiwan, ROC	\$ 130,486,507	\$ 121,142,887
Overseas	<u>2,374,477</u>	<u>3,278,026</u>
	<b><u>\$ 132,860,984</u></b>	<b><u>\$ 124,420,913</u></b>

b. Information on major customers

The Group does not have revenues from a single customer that exceeds 10% of the consolidated operating revenues.

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING EXTENDED TO OTHER PARTIES  
FOR THE YEAR ENDED DECEMBER 31, 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	\$ -	-	\$ -	\$ 32,930,330	\$ 32,930,330	Note 2
			Other receivables	Yes	700,000	700,000	341,000	1.16867%-1.39400%	Short-term financing	-	Operation requirements	-	-	-	32,930,330	32,930,330	Note 2
2	WMT	TWM TKT TFNM WTVB	Other receivables	Yes	3,800,000	3,800,000	3,071,000	0.86867%-1.09422%	Short-term financing	-	Operation requirements	-	-	-	8,554,493	8,554,493	Note 2
			Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,554,493	8,554,493	Note 2
			Other receivables	Yes	2,770,000	2,430,000	730,000	0.87033%-1.09422%	Short-term financing	-	Operation requirements	-	-	-	8,554,493	8,554,493	Note 2
			Other receivables	Yes	1,000,000	1,000,000	590,000	0.86878%-1.09433%	Short-term financing	-	Operation requirements	-	-	-	8,554,493	8,554,493	Note 2
3	TVC	TWM	Other receivables	Yes	600,000	600,000	600,000	0.86867%	Short-term financing	-	Operation requirements	-	-	-	634,989	634,989	Note 2
4	TFN	TWM TCC	Other receivables	Yes	11,000,000	11,000,000	8,453,000	0.86867%-1.09422%	Short-term financing	-	Operation requirements	-	-	-	21,575,577	21,575,577	Note 2
			Other receivables	Yes	700,000	700,000	341,000	0.86867%-1.09400%	Short-term financing	-	Operation requirements	-	-	-	21,575,577	21,575,577	Note 2
5	YJCTV	TFNM	Other receivables	Yes	100,000	60,000	60,000	0.86900%-1.09378%	Transactions	460,717	-	-	-	-	460,717	460,717	Notes 3 and 4
6	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	0.86900%-1.09378%	Transactions	538,231	-	-	-	-	538,231	538,231	Notes 3 and 4
7	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	0.86900%-1.09378%	Short-term financing	-	Repayment of financing	-	-	-	286,370	286,370	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

ENDORSEMENTS/GUARANTEES PROVIDED TO OTHER PARTIES  
FOR THE YEAR ENDED DECEMBER 31, 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	\$ 6,500,000 50,000	\$ - -	32.89 0.08	\$ 65,365,100 65,365,100	Y Y	N N	N N	Note 3 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.



## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)  
DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 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	\$ 236,913	0.028	\$ 236,913	
	Asia Pacific Telecom Co., Ltd.	-	Non-current financial assets at FVTOCI	97,171	981,427	2.55	981,427	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at FVTOCI	800	30,496	10	30,496	
	LINE Bank Taiwan Limited	-	Non-current financial assets at FVTOCI	50,000	456,109	5	456,109	
	<u>Limited Partnerships</u>							
	Grand Academy Investment, L.P.	-	Non-current financial assets at FVTOCI	-	218,499	21.67	218,499	Note 1
	Starview Heights Investment, L.P.	-	Non-current financial assets at FVTOCI	-	31,328	21.67	31,328	Note 1
TCC	<u>Stock</u>							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at FVTOCI	6,998	93,356	5.21	93,356	
WMT	<u>Limited Partnerships</u>							
	The Last Thieves, L.P.	-	Current financial assets at FVTPL	-	-	7.14	-	Note 1
TVC	<u>Stock</u>							
	Stampede Entertainment, Inc.	-	Non-current financial assets at FVTOCI	1,333	227,840	8.45	227,840	
	91APP, Inc.	-	Non-current financial assets at FVTOCI	2,500	142,400	2.33	142,400	
TCCI	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	200,497	19,829,130	5.71	19,829,130	
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at FVTOCI	10,000	38,039	6.67	38,039	
TUI	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	410,665	40,614,796	11.69	40,614,796	
TID	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	87,590	8,662,607	2.49	8,662,607	
TFNM	<u>Beneficiary Certificates</u>							
	Dragon Tiger Capital Partners Limited - Class B	-	Non-current financial assets at FVTOCI	0.2	-	0.33	-	
	Dragon Tiger Capital Partners Limited - Class C	-	Non-current financial assets at FVTOCI	0.0335	-	0.056	-	

(Continued)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 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	4,367	\$ 8,533	2.04	\$ 8,533	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at FVTOCI	3,140	70,252	7.85	70,252	

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 OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 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	LINE Bank Taiwan Limited	Non-current financial assets at FVTOCI	-	-	-	\$ 100,000 (Note 1)	50,000	\$ 400,000	-	\$ -	\$ -	\$ -	50,000	\$ 456,109
TWM	TVC	Investments accounted for using equity method	-	Subsidiary	500	4,907	160,000	1,600,000	-	-	-	-	160,500	1,587,474
TVC	AppWorks Fund III	Investments accounted for using equity method	-	Associate	-	-	33,000	330,000	-	-	-	-	33,000	315,027
TFN	THSR	Current financial assets at FVTOCI	-	-	90,212	3,464,156	-	-	90,212	2,964,345	912,463	2,051,882	-	-

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

Note 2: The ending balance includes share 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 YEAR ENDED DECEMBER 31, 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 YEAR ENDED DECEMBER 31, 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	\$ 216,699	-	Based on contract terms	-	-	\$ 26,173	-	Note 3 Note 3
			Purchase	4,471,069	11	Based on contract terms	-	-	(490,938)	(Note 2)	
	TPIA TKT momo	Subsidiary Subsidiary Subsidiary	Sale	164,076	-	Based on contract terms	-	-	72,389	1	
			Purchase	286,681	1	Based on contract terms	-	-	(101,081)	5	
			Sale	2,084,657	4	Based on contract terms	-	-	345,383	5	
			Purchase	224,136	1	Based on contract terms	-	-	(11,656)	1	
TWM&TDS	Fubon Ins.	Other related party	Sale	235,521	-	Based on contract terms	-	-	42,996	1	
TNH	TWM	Parent	Sale	128,808	23	Based on contract terms	-	-	6,592	69	
TFN	TFNM	Fellow subsidiary	Sale	161,913	2	Based on contract terms	-	-	29,429	2	
	Fubon Life	Other related party	Sale	137,669	1	Based on contract terms	-	-	12,089	1	
TT&T	TWM	Ultimate parent	Sale	1,008,960	90	Based on contract terms	-	-	83,973	91	
	TFN	Fellow subsidiary	Sale	109,107	10	Based on contract terms	-	-	8,704	9	
TPIA	Fubon Ins.	Other related party	Sale	260,421	91	Based on contract terms	-	-	87,246	89	
TFNM	YJCTV	Subsidiary	Channel leasing fee	423,140	13	Based on contract terms	Note 1	Note 1	-	-	
	PCTV	Subsidiary	Channel leasing fee	496,391	15	Based on contract terms	Note 1	Note 1	-	-	
	UCTV	Subsidiary	Channel leasing fee	217,859	7	Based on contract terms	Note 1	Note 1	-	-	
	GCTV	Subsidiary	Channel leasing fee	188,627	6	Based on contract terms	Note 1	Note 1	-	-	
MCTV	Dai-Ka Ltd.	Other related party	Royalty for copyright	157,827	53	Based on contract terms	Note 1	Note 1	(65,761)	93	
momo	FSL	Subsidiary	Purchase	136,482	-	Based on contract terms	-	-	(40,922)	1	
	TPE	Associate	Purchase	806,680	1	Based on contract terms	-	-	(99,280)	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.

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 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	\$ 345,383	7.85	\$ -	-	\$ 340,603	\$ -
TCC	TWM	Parent	Other receivables	347,284		-	-	1,284	-
	TFC	Subsidiary	Other receivables	341,611		-	-	-	-
WMT	TWM	Parent	Other receivables	3,075,436		-	-	3,075,436	-
	TFNM	Subsidiary	Other receivables	730,566		-	-	-	-
	WTVB	Subsidiary	Other receivables	591,291		-	-	561	-
TVC	TWM	Parent	Other receivables	600,800		-	-	-	-
TFN	TWM	Ultimate parent	Accounts receivable	499,541	10.1	-	-	442,979	-
			Other receivables	8,535,658		-	-	49,418	-
	TCC	Parent	Other receivables	341,454		-	-	-	-
TKT	TWM	Ultimate parent	Accounts receivable	101,081	3.56	-	-	33,089	-
PCTV	TFNM	Parent	Accounts receivable	5,554	5.89	-	-	3,600	-
			Other receivables	520,035		-	-	35	-
GCTV	TFNM	Parent	Accounts receivable	2,349	5.86	-	-	1,489	-
			Other receivables	250,001		-	-	1	-
momo	TFCB	Other related party	Accounts receivable	682	Note	-	-	682	-
			Other receivables	109,378		-	-	109,378	-

Note: Not applicable due to the transaction partners and the nature of transactions.

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE  
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 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	\$ 20,412,476	\$ 3,317,359	\$ 3,317,804	Note 1
	WMT	Taiwan	Investment	16,871,894	16,871,894	42,065	100	21,386,300	2,573,146	2,573,221	Note 1
	TVC	Taiwan	Investment	1,605,000	5,000	160,500	100	1,587,474	(7,736)	(7,736)	
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,863,980	85,040	43,536	Note 1
	AppWorks	Taiwan	Venture capital, investment consulting, and management consulting	235,000	235,000	1,275	51	265,526	83,091	41,515	Note 1
	ADT	Taiwan	Technology development of mobile payment and information processing services	60,000	60,000	6,000	14.4	8,615	17,661	2,543	
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	53,939,905	3,081,592	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	103,908	50,843	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	224,218	(4,786)	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	27,126,729	4,172	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	25,000	2,500	100	103,929	9,536	-	Note 2
	TPIA	Taiwan	Property insurance agent	5,000	5,000	500	100	91,554	81,554	-	Note 2
	TFC	Taiwan	Type II telecommunications business	200,000	200,000	20,000	100	185,670	(11,739)	-	Note 2
WMT	TFNM	Taiwan	Type II telecommunications business	5,210,443	5,210,443	230,921	100	6,882,042	1,749,541	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	17,077	177	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	98,367	3,747	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	292,816	29,530	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,671,655	1,943,304	-	Notes 2 and 4
TVC	AppWorks Fund III	Taiwan	Venture capital	330,000	-	33,000	20.11	315,027	(90,130)	-	Note 2
TFN	TUI	Taiwan	Investment	22,314,609	22,314,609	400	100	35,364,721	(74)	-	Note 2
TCCI	TID	Taiwan	Investment	3,603,149	3,603,149	104,712	100	7,548,099	(86)	-	Note 2
TFNM	TKT	Taiwan	Digital music service	156,900	156,900	14,700	100	280,296	34,975	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	1,673,511	(77,644)	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	639,160	48,770	-	Notes 2 and 5
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,466,284	166,851	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,034,154	41,036	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,283,897	57,384	-	Note 2
	kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	341,250	292,500	21,994	33.58	167,135	(58,794)	-	Note 2
TKT	M.E.	Taiwan	Livestreaming artists management service, digital media production, and media planning	27,000	27,000	460	15	25,698	4,469	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 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	\$ 15,638	\$ 41,036	\$ -	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	96,912	57,384	-	Note 2
momo	Asian Crown (BVI)	British Virgin Islands	Investment	885,285	885,285	9,735	81.99	31,343	(11,847)	-	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	678,698	46,691	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	7,119	(1,672)	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	7,729	(1,527)	-	Note 2
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	45,737	5,569	-	Note 2
	Bebe Poshe	Taiwan	Wholesale of cosmetics	85,000	85,000	8,500	85	41,397	(9,721)	-	Note 2
	FSL	Taiwan	Logistics and transport	250,000	-	25,000	100	246,559	(3,473)	-	Note 2
	MFS	Taiwan	Wholesaling	100,000	-	10,000	100	101,814	1,814	-	Note 2
	TPE	Taiwan	Logistics industry	295,860	337,860	14,793	15.5	386,414	206,535	-	Note 2
	TV Direct	Thailand	Wholesale and retail sales	200,820	-	191,213	24.99	192,103	48,532	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	Note 6	115,389	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	33,987	(11,672)	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,132,789	11,594	100	33,987	(11,672)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	678,698	46,691	-	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 December 31, 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 YEAR ENDED DECEMBER 31, 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	\$ 26,745	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIA	1	Notes and accounts receivable, net	72,389	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Notes and accounts receivable, net	345,383	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other receivables	32,602	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Other non-current assets	18,259	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Short-term borrowings	8,453,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	5%
		WMT	1	Short-term borrowings	3,071,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	2%
		TCC	1	Short-term borrowings	346,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TVC	1	Short-term borrowings	600,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Notes and accounts payable	75,889	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TKT	1	Notes and accounts payable	101,081	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Notes and accounts payable	11,656	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Notes and accounts payable	22,125	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Other payables	475,281	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Other payables	83,973	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Other payables	18,282	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Lease liabilities - current	12,772	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Lease liabilities - current	115,033	The terms of transaction are determined in accordance with mutual agreements or general business practices	-

(Continued)

Number	Company Name	Counter-party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	TWM	TFN	1	Other current liabilities	\$ 28,095	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Other current liabilities	27,041	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Lease liabilities - non-current	28,185	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TNH	1	Lease liabilities - non-current	252,948	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Lease liabilities - non-current	27,425	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Lease liabilities - non-current	15,228	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating revenues	216,699	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Operating revenues	28,424	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TPIA	1	Operating revenues	164,076	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Operating revenues	2,084,657	The terms of transaction are determined in accordance with mutual agreements or general business practices	2%
		TFN	1	Operating costs	4,471,069	The terms of transaction are determined in accordance with mutual agreements or general business practices	3%
		TKT	1	Operating costs	286,681	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TDS	1	Operating costs	67,023	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	1	Operating costs	224,136	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	1	Operating costs	50,414	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFN	1	Operating expenses	32,455	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	1	Operating expenses	1,008,960	The terms of transaction are determined in accordance with mutual agreements or general business practices	1%
				TFN	1	Other income and expenses, net	42,095
		TFN	1	Finance costs	74,010	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WMT	1	Finance costs	27,096	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
1	TCC	TFC	1	Other receivables	341,611	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	-

(Continued)

Number	Company Name	Counter-party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
2	WMT	TFNM	1	Other receivables	\$ 730,566	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	1	Other receivables	591,291	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
3	TFN	UCTV	3	Acquisition of property, plant and equipment	11,730	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFC	3	Notes and accounts receivable, net	15,045	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Notes and accounts receivable, net	29,429	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFC	3	Operating revenues	91,856	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating revenues	161,913	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo	3	Operating revenues	47,149	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TT&T	3	Operating expenses	109,107	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
4	momo	FSL	1	Notes and accounts payable	40,922	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		FGE	1	Operating revenues	21,876	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		MFS	1	Operating revenues	12,881	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		Bebe Poshe	1	Operating costs	39,129	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		FSL	1	Operating costs	136,482	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		TFNM	3	Operating costs	49,267	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
5	TFNM	PCTV	1	Other receivables	68,188	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Other receivables	37,618	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Other receivables	30,317	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Other receivables	23,972	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		MCTV	1	Other receivables	16,645	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	60,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-

(Continued)

Number	Company Name	Counter-party	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
5	TFNM	GCTV	1	Short-term borrowings	\$ 250,000	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Notes and accounts payable	22,401	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating revenues	538,231	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating revenues	460,717	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating revenues	217,859	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Operating revenues	205,393	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		MCTV	1	Operating revenues	18,112	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		PCTV	1	Operating costs	35,299	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		YJCTV	1	Operating costs	31,763	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		UCTV	1	Operating costs	23,028	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		GCTV	1	Operating costs	14,799	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		WTVB	3	Operating costs	85,337	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 YEAR ENDED DECEMBER 31, 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 December 31, 2020	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss) (Note 2)	Carrying Value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow							
TWMC	Mobile application development and design	\$ 85,440 (USD 3,000)	b	\$ 138,752 (USD 4,872)	\$ -	\$ -	\$ 138,752 (USD 4,872)	\$ 1,373	100	\$ 1,373	\$ 80,023	-	
FGE	Wholesaling	338,829 (RMB 77,500)	b	788,994 (USD 14,000) (RMB 89,267)	-	-	788,994 (USD 14,000) (RMB 89,267)	(11,997)	76.7	(9,202)	21,354	-	
Haobo	Investment	48,092 (RMB 11,000)	b	-	-	-	-	45,921	100	45,921	650,773	-	
GHS	Wholesaling	218,599 (RMB 50,000)	b	-	-	-	-	257,834	20	44,592	606,376	-	

Company	Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 3)
TWM and subsidiaries	\$1,546,790 (US\$18,872, RMB89,267 and HK\$168,539)	\$1,546,790 (US\$18,872, RMB89,267 and HK\$168,539)	\$43,194,127

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 amounts are based on the audited financial statements.

Note 3: The upper limit on investment in mainland China is calculated by 60% of the consolidated net worth.

**TAIWAN MOBILE CO., LTD**  
**INFORMATION OF MAJOR STOCKHOLDERS**  
**DECEMBER 31, 2020**

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
TUI	410,665,284	11.69
Shin Kong Life Insurance Co., Ltd.	303,887,000	8.65
Cathay Life Insurance Co., Ltd.	211,734,900	6.03
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.

**Taiwan Mobile Co., Ltd.**

**Financial Statements for the  
Years Ended December 31, 2020 and 2019 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of Taiwan Mobile Co., Ltd. (TWM), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TWM as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the 2020 financial statements are as follows:

#### Telecommunications and Value-added Services Revenue

The description of key audit matter:

One of the operating revenue sources of TWM is the telecommunications and value-added services revenue. TWM offers more different monthly-fee plans and diversifies the business by innovating value-added services since the telecommunication industry becomes more competitive nowadays. The competitive telecommunication industry and complicated calculations for revenue recognition, which highly relies on automatic and systematic connection and implementation, lead the telecommunications and value-added services revenue to be considered as one of the key audit matters.



Corresponding audit procedures:

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TWM's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists and is related to events or conditions that may cast significant doubt on TWM's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause TWM to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within TWM to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 25, 2021

Notice to Readers

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

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

# TAIWAN MOBILE CO., LTD.

## BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2020		December 31, 2019		LIABILITIES AND EQUITY	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 6 and 28)	\$ 1,542,179	1	\$ 1,272,740	1	Short-term borrowings (Notes 16 and 28)	\$ 22,270,000	13	\$ 25,135,000	18
Financial assets at fair value through other comprehensive income (Note 7)	236,913	-	239,086	-	Short-term notes and bills payable (Note 16)	14,195,385	8	1,898,111	1
Contract assets (Note 21)	4,612,234	3	4,827,361	4	Contract liabilities (Note 21)	1,133,438	1	1,041,382	1
Notes and accounts receivable, net (Note 8)	5,835,196	4	6,105,549	4	Accounts payable	1,822,172	1	1,562,918	1
Accounts receivable due from related parties (Note 28)	487,370	-	285,763	-	Accounts payable due to related parties (Note 28)	214,771	-	172,003	-
Other receivables (Note 28)	559,069	-	624,367	1	Other payables (Note 28)	8,684,707	5	6,655,590	5
Inventories (Note 9)	2,368,016	1	3,257,280	2	Current tax liabilities	1,296,140	1	679,240	1
Prepayments	361,650	-	147,341	-	Provisions (Note 18)	37,521	-	64,020	-
Other financial assets (Notes 28 and 29)	36,514	-	20,893	-	Lease liabilities (Notes 12, 25 and 28)	3,005,715	2	3,060,243	2
Other current assets	34	-	55,358	-	Advance receipts	11,862	-	72,965	-
Total current assets	<u>16,039,175</u>	<u>9</u>	<u>16,835,738</u>	<u>12</u>	Long-term liabilities, current portion (Notes 16 and 17)	2,632,030	2	-	-
					Other current liabilities (Note 28)	<u>2,133,203</u>	<u>1</u>	<u>1,668,244</u>	<u>1</u>
					Total current liabilities	<u>57,436,944</u>	<u>34</u>	<u>42,009,716</u>	<u>30</u>
<b>NON-CURRENT ASSETS</b>					<b>NON-CURRENT LIABILITIES</b>				
Financial assets at fair value through other comprehensive income (Note 7)	1,717,859	1	1,608,217	1	Contract liabilities (Note 21)	58,347	-	-	-
Contract assets (Note 21)	3,749,737	2	3,458,120	3	Bonds payable (Note 17)	34,973,223	21	15,903,436	11
Investments accounted for using equity method (Notes 10 and 28)	45,524,371	27	43,562,809	31	Long-term borrowings (Note 16)	6,497,420	4	6,000,000	4
Property, plant and equipment (Notes 11 and 28)	25,327,616	15	19,711,168	14	Provisions (Note 18)	638,210	-	712,431	1
Right-of-use assets (Notes 12 and 28)	7,516,872	5	8,278,391	6	Deferred tax liabilities (Note 23)	678,679	-	623,651	1
Investment properties (Note 13)	2,828,136	2	3,135,409	2	Lease liabilities (Notes 12, 25 and 28)	4,526,498	3	5,195,924	4
Concessions (Note 14)	58,012,111	34	30,739,448	22	Net defined benefit liabilities (Note 19)	322,707	-	307,606	-
Goodwill (Note 14)	7,121,871	4	7,121,871	5	Guarantee deposits	<u>373,715</u>	<u>-</u>	<u>336,291</u>	<u>-</u>
Other intangible assets (Note 14)	213,029	-	439,596	-	Total non-current liabilities	<u>48,068,799</u>	<u>28</u>	<u>29,079,339</u>	<u>21</u>
Deferred tax assets (Note 23)	637,945	-	618,759	1	Total liabilities	<u>105,505,743</u>	<u>62</u>	<u>71,089,055</u>	<u>51</u>
Incremental costs of obtaining a contract (Note 21)	1,671,623	1	2,039,338	2	<b>EQUITY (Note 20)</b>				
Other non-current assets (Notes 15, 28 and 29)	510,498	-	1,557,482	1	Common stock	35,124,215	20	34,959,441	25
Total non-current assets	<u>154,831,668</u>	<u>91</u>	<u>122,270,608</u>	<u>88</u>	Capital collected in advance	-	-	134,104	-
					Capital surplus	18,936,574	11	20,274,694	15
					Retained earnings				
					Legal reserve	30,170,398	18	28,922,281	21
					Special reserve	-	-	95,381	-
					Unappropriated earnings	13,300,996	8	12,909,829	9
					Other equity interests	(2,449,739)	(2)	438,905	-
					Treasury stock	<u>(29,717,344)</u>	<u>(17)</u>	<u>(29,717,344)</u>	<u>(21)</u>
					Total equity	<u>65,365,100</u>	<u>38</u>	<u>68,017,291</u>	<u>49</u>
<b>TOTAL</b>	<u>\$ 170,870,843</u>	<u>100</u>	<u>\$ 139,106,346</u>	<u>100</u>	<b>TOTAL</b>	<u>\$ 170,870,843</u>	<u>100</u>	<u>\$ 139,106,346</u>	<u>100</u>

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

# TAIWAN MOBILE CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Reclassified (Note 3) Amount	%
OPERATING REVENUES (Notes 21 and 28)	\$ 56,890,204	100	\$ 62,426,270	100
OPERATING COSTS (Notes 9, 28 and 31)	<u>39,229,257</u>	<u>69</u>	<u>42,140,467</u>	<u>67</u>
GROSS PROFIT FROM OPERATIONS	17,660,947	31	20,285,803	33
REALIZED (UNREALIZED) GAIN ON SALES	<u>509</u>	<u>-</u>	<u>(509)</u>	<u>-</u>
GROSS PROFIT FROM OPERATIONS, NET	<u>17,661,456</u>	<u>31</u>	<u>20,285,294</u>	<u>33</u>
OPERATING EXPENSES (Notes 28 and 31)				
Marketing	7,151,971	13	8,105,643	13
Administrative	2,927,309	5	2,974,859	5
Research and development	34,832	-	1,268	-
Expected credit loss	<u>172,590</u>	<u>-</u>	<u>233,546</u>	<u>-</u>
Total operating expenses	<u>10,286,702</u>	<u>18</u>	<u>11,315,316</u>	<u>18</u>
OTHER INCOME AND EXPENSES, NET (Note 28)	<u>223,644</u>	<u>-</u>	<u>228,865</u>	<u>-</u>
OPERATING INCOME	<u>7,598,398</u>	<u>13</u>	<u>9,198,843</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	8,186	-	55,988	-
Other income (Note 22)	13,151	-	20,074	-
Other gains and losses, net (Note 22)	(330,450)	(1)	(296,273)	-
Finance costs (Notes 22 and 28)	(618,164)	(1)	(565,793)	(1)
Share of profit of subsidiaries and associates accounted for using equity method (Note 10)	<u>5,970,883</u>	<u>11</u>	<u>5,749,646</u>	<u>9</u>
Total non-operating income and expenses	<u>5,043,606</u>	<u>9</u>	<u>4,963,642</u>	<u>8</u>
PROFIT BEFORE TAX	12,642,004	22	14,162,485	23
INCOME TAX EXPENSE (Note 23)	<u>1,355,451</u>	<u>2</u>	<u>1,681,318</u>	<u>3</u>
NET PROFIT	<u>11,286,553</u>	<u>20</u>	<u>12,481,167</u>	<u>20</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 10, 19, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans	(25,077)	-	(32,904)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(350,224)	(1)	(162,652)	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	(499,974)	(1)	695,893	1
Items that may be reclassified subsequently to profit or loss				
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	<u>2,826</u>	<u>-</u>	<u>(10,107)</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>(872,449)</u>	<u>(2)</u>	<u>490,230</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 10,414,104</u>	<u>18</u>	<u>\$ 12,971,397</u>	<u>21</u>
EARNINGS PER SHARE (Note 24)				
Basic earnings per share	<u>\$ 4.01</u>		<u>\$ 4.51</u>	
Diluted earnings per share	<u>\$ 3.99</u>		<u>\$ 4.44</u>	

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

**TAIWAN MOBILE CO., LTD.**
**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	Common Stock	Capital Collected in Advance	Capital Surplus	Retained Earnings			Other Equity Interests		Treasury Stock	Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
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
Effect of retrospective application	-	-	-	-	-	32,605	-	-	-	32,605
ADJUSTED BALANCE, JANUARY 1, 2019	34,208,519	29,819	12,580,692	27,558,064	362,703	16,987,053	(24,398)	(70,983)	(29,717,344)	61,914,125
Distribution of 2018 earnings										
Legal reserve	-	-	-	1,364,217	-	(1,364,217)	-	-	-	-
Reversal of special reserve	-	-	-	-	(267,322)	267,322	-	-	-	-
Cash dividends	-	-	-	-	-	(15,366,223)	-	-	-	(15,366,223)
Total distribution of earnings	-	-	-	1,364,217	(267,322)	(16,463,118)	-	-	-	(15,366,223)
Profit for the year ended December 31, 2019	-	-	-	-	-	12,481,167	-	-	-	12,481,167
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	(44,056)	(10,107)	544,393	-	490,230
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	12,437,111	(10,107)	544,393	-	12,971,397
Conversion of convertible bonds to common stock	750,922	104,285	7,710,366	-	-	-	-	-	-	8,565,573
Changes in equity of associates accounted for using equity method	-	-	(17,346)	-	-	(51,217)	-	-	-	(68,563)
Other changes in capital surplus	-	-	982	-	-	-	-	-	-	982
BALANCE, DECEMBER 31, 2019	34,959,441	134,104	20,274,694	28,922,281	95,381	12,909,829	(34,505)	473,410	(29,717,344)	68,017,291
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)
Total distribution of earnings	-	-	-	1,248,117	(95,381)	(12,909,580)	-	-	-	(11,756,844)
Cash dividends from capital surplus	-	-	(1,593,624)	-	-	-	-	-	-	(1,593,624)
Profit for the year ended December 31, 2020	-	-	-	-	-	11,286,553	-	-	-	11,286,553
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(38,068)	2,826	(837,207)	-	(872,449)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	11,248,485	2,826	(837,207)	-	10,414,104
Conversion of convertible bonds to common stock	164,774	(134,104)	259,109	-	-	-	-	-	-	289,779
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	2,052,067	-	(2,052,067)	-	-
Changes in equity of associates accounted for using equity method	-	-	(1,721)	-	-	(2,001)	-	-	-	(3,722)
Disposal of investments accounted for using equity method	-	-	(2,738)	-	-	2,196	-	(2,196)	-	(2,738)
Other changes in capital surplus	-	-	854	-	-	-	-	-	-	854
BALANCE, DECEMBER 31, 2020	\$ 35,124,215	\$ -	\$ 18,936,574	\$ 30,170,398	\$ -	\$ 13,300,996	\$ (31,679)	\$ (2,418,060)	\$(29,717,344)	\$ 65,365,100

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

# TAIWAN MOBILE CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	\$ 12,642,004	\$ 14,162,485
Adjustments for:		
Share of profit of subsidiaries and associates accounted for using equity method	(5,970,883)	(5,749,646)
Depreciation expense	8,275,054	9,765,832
Amortization expense	3,723,081	3,007,799
Amortization of incremental costs of obtaining a contract	1,633,231	2,417,688
Realized/unrealized gain on sales	(509)	509
Loss on disposal and retirement of property, plant and equipment, net	291,044	274,349
Loss on disposal and retirement of intangible assets, net	57,863	-
Expected credit loss	172,590	233,546
Finance costs	618,164	565,793
Interest income	(8,186)	(55,988)
Dividend income	(9,185)	(9,735)
Valuation gain on financial liabilities at fair value through profit or loss	-	(1,819)
Others	(1,839)	(622)
Changes in operating assets and liabilities		
Contract assets	(74,343)	378,537
Notes and accounts receivable	107,744	(263,831)
Accounts receivable due from related parties	(201,607)	(144,388)
Other receivables	77,607	417,749
Inventories	889,264	(945,800)
Prepayments	(216,309)	(33,365)
Other current assets	55,324	738,767
Other financial assets	(15,621)	(11,484)
Incremental costs of obtaining a contract	(1,265,516)	(1,572,544)
Contract liabilities	94,642	15,270
Accounts payable	259,254	442,539
Accounts payable due to related parties	42,768	(52,978)
Other payables	(190,097)	(514,729)
Provisions	(112,607)	(40,501)
Advance receipts	(8,420)	(9,895)
Other current liabilities	464,959	(80,950)
Net defined benefit liabilities	(16,246)	(15,687)
Cash inflows generated from operating activities	21,313,225	22,916,901
Interest received	275	42,440
Interest paid	(442)	(409)
Income taxes paid	(654,133)	(2,635,874)
Net cash generated from operating activities	<u>20,658,925</u>	<u>20,323,058</u>

(Continued)

# TAIWAN MOBILE CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	\$ (8,375,407)	\$ (4,425,869)
Acquisition of right-of-use assets	(22,596)	(14,635)
Acquisition of intangible assets	(29,772,382)	(129,657)
Increase in prepayments for equipment	(94,676)	(169,632)
Proceeds from disposal of property, plant and equipment	36,918	60,098
Proceeds from disposal of intangible assets	16,000	-
Cash outflow on acquisition of subsidiaries	(1,600,000)	(5,000)
Acquisition of financial assets at fair value through other comprehensive income	(400,000)	-
Acquisition of investments accounted for using equity method	-	(235,000)
Increase in prepayments for investment	-	(100,000)
Increase in refundable deposits	(173,738)	(1,099,187)
Decrease in refundable deposits	158,244	101,122
Increase in other financial assets	-	(480)
Decrease in other financial assets	-	720
Interest received	4,495	9,792
Dividend received	<u>5,115,408</u>	<u>5,040,733</u>
Net cash used in investing activities	<u>(35,107,734)</u>	<u>(966,995)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	(4,800,000)	5,300,000
Borrowings from related parties	15,414,000	12,797,000
Repayments of borrowings from related parties	(13,479,000)	(12,250,000)
Increase in short-term notes and bills payable	12,289,537	399,285
Proceeds from issue of bonds	19,979,415	-
Repayments of bonds payable	-	(4,500,000)
Proceeds from long-term borrowings	6,496,758	-
Repayment of long-term borrowings	(4,000,000)	(2,000,000)
Repayment of the principal portion of lease liabilities	(3,363,616)	(3,354,619)
Increase in guarantee deposits received	79,801	50,538
Decrease in guarantee deposits received	(41,982)	(62,174)
Cash dividends paid	(13,350,442)	(15,366,186)
Interest paid	<u>(506,223)</u>	<u>(516,335)</u>
Net cash generated from (used in) financing activities	<u>14,718,248</u>	<u>(19,502,491)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	269,439	(146,428)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,272,740</u>	<u>1,419,168</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,542,179</u>	<u>\$ 1,272,740</u>

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

(Concluded)



# TAIWAN MOBILE CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. ORGANIZATION AND OPERATIONS

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

### 2. APPROVAL OF THE FINANCIAL STATEMENTS

The Board of Directors approved the financial statements on February 25, 2021.

### 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 IFRSs endorsed and issued into effect by the FSC did not have any material impact on TWM's accounting policies.

- b. The IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2021

<u>New IFRSs</u>	<u>Effective Date Announced by IASB</u>
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"	Effective for annual reporting periods beginning on or after January 1, 2021

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
“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 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 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 4)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 5)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 6)
Amendments to IAS 37 “Onerous Contracts-Cost of Fulfilling a Contract”	January 1, 2022 (Note 7)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 5: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 6: 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 7: 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 financial statements were authorized for issue, TWM is continuously assessing the possible impact that the application of other standards and interpretations will have on TWM's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

d. Reclassification

To enhance the understanding of TWM's financial statements for users, TWM's management decided to present research and development (R&D) expenses, which were part of operating expenses, separately in the statements of comprehensive income starting from January 1, 2020. The comparative information of R&D expenses for the year ended December 31, 2019 was made to conform to the current period's presentation.

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

##### **Statement of Compliance**

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### **Basis of Preparation**

a. Basis of measurement

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

When preparing the parent company only financial statements, TWM accounts for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to owners of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

b. Functional and presentation currency

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

##### **Foreign Currencies**

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

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

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

When preparing the financial statements, the assets and liabilities of foreign operations are translated to NTD using the exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated at the average exchange rate for the period. Exchange differences are recognized in other comprehensive income.

On the disposal of TWM's entire interest in a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

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

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

- a. It holds the asset primarily for the purpose of trading;
- b. It expects to realize the asset within twelve months after the reporting period; or
- c. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

### **Financial Instruments**

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

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

- a. Financial assets

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

- 1) Measurement category

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

a) Financial assets at amortized cost

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

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

b) Investments in equity instruments at FVTOCI

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

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity.

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

2) Impairment of financial assets and contract assets

TWM recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including receivables) and contract assets.

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

ECLs reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent

the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

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

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

### 3) Derecognition of financial assets

TWM derecognizes financial assets only when the contractual rights of the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

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

### b. Equity instruments

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

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

### c. Financial liabilities

#### 1) Recognition

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

#### 2) Convertible bonds

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

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

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

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

### 3) Derecognition of financial liabilities

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

#### d. Derivative financial instruments

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

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

## **Inventories**

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

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

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

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

## **Investment in Associates**

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

Investments in associates are accounted for using equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates

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

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

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

When TWM subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of TWM's proportionate interest in the associate. TWM records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If TWM's ownership interest is reduced due to its disproportionate subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

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

### **Investments in Subsidiaries**

TWM uses the equity method to account for its investments in subsidiaries.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize TWM's share of the profit or loss and other comprehensive income of the subsidiary. TWM also recognizes the changes in TWM's share of equity of subsidiaries. The profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.



Changes in TWM's ownership interest in a subsidiary that do not result in TWM losing control of the subsidiary are equity transactions. TWM recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When TWM loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, TWM shall account for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if TWM had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to TWM.

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

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

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

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

Land has an unlimited useful life and therefore is not depreciated. For the estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment, see Note 11 to the financial statements for details.

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

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

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

### **Leases**

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

#### **a. TWM as lessor**

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

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

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

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

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

b. TWM as lessee

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

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

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

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

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

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

## **Investment Properties**

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

## **Intangible Assets**

### **a. Goodwill**

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

### **b. Other intangible assets**

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

### **c. Amortization and derecognition of intangible assets**

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date that they are available for use. For the estimated useful lives of intangible assets for the current and comparative periods, see Note 14 to the financial statements.

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

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

## **Incremental Costs of Obtaining a Contract**

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

## **Impairment of Non-financial Assets**

### **a. Goodwill**

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

- b. Property, plant, and equipment, right-of-use assets, intangible assets (excluding goodwill), and incremental costs of obtaining a contract

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

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

### **Provisions**

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

- a. Restoration

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

- b. Warranties

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

### **Treasury Stock**

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

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

## **Government Grants**

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

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

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

## **Employee Benefits**

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

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

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

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

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

## **Income Tax**

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

### **a. Current taxes**

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

Income tax payable (refundable) is based on taxable profit (loss) for the year determined in accordance with the applicable tax laws of each tax jurisdiction.

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

b. Deferred taxes

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. The measurement reflects TWM's expectations at the end of the reporting period as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

### **Revenue Recognition**

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

The deferred revenue allocated to the customer loyalty program is estimated at fair value. Transaction price allocated is recognized as contract liabilities when collected and will be recognized as revenue when the performance obligations are fulfilled.

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

Revenues from sale of goods are mainly generated from physical stores and e-commerce platform. Revenues are recognized when the goods are transferred or delivered to the customers. Advance receipts obtained before goods are transferred or delivered are recognized as contract liabilities, and reclassified as revenue when the goods are transferred or delivered.

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

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

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

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

### **Critical Accounting Judgments**

#### **a. Lease terms**

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

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

#### **a. Impairment assessment of property, plant, and equipment, right-of-use assets, intangible assets (excluding goodwill), and incremental costs of obtaining a contract**

In the process of impairment assessments, TWM relies on subjective judgment to determine the individual cash flows of a specific group of assets and estimates future gains and losses according to the usage of the assets and relevant business characteristics. Alterations of estimates from any changes in economic conditions or business strategy may lead to significant impairment losses in the future.

#### **b. Impairment assessment of goodwill**

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

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Cash on hand and revolving funds	\$ 96,610	\$ 57,718
Cash in banks	<u>1,445,569</u>	<u>1,215,022</u>
	<u>\$ 1,542,179</u>	<u>\$ 1,272,740</u>

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Investments in equity instruments - current</u>		
Domestic investments		
Listed stocks	<u>\$ 236,913</u>	<u>\$ 239,086</u>
<u>Investments in equity instruments - non-current</u>		
Domestic investments		
Listed stocks	\$ 981,427	\$ 1,116,360
Unlisted stocks	456,109	-
Foreign investments		
Limited partnerships	249,827	462,068
Unlisted stocks	<u>30,496</u>	<u>29,789</u>
	<u>\$ 1,717,859</u>	<u>\$ 1,608,217</u>

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

## 8. NOTES AND ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Notes receivable	\$ 702	\$ 799
Accounts receivable	6,121,600	6,439,072
Less: Allowance for impairment loss	<u>(287,106)</u>	<u>(334,322)</u>
	<u>\$ 5,835,196</u>	<u>\$ 6,105,549</u>

The main credit terms range from 30 to 90 days.

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



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

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

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

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

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

December 31, 2020

	Not Past Due	Overdue			Total
		1 to 120 Days	121 to 365 Days	Over 365 Days	
Gross carrying amount	\$ 5,602,984	\$ 394,787	\$ 124,531	\$ -	\$ 6,122,302
Loss allowance (Lifetime ECLs)	<u>(48,831)</u>	<u>(119,944)</u>	<u>(118,331)</u>	<u>-</u>	<u>(287,106)</u>
Amortized cost	<u>\$ 5,554,153</u>	<u>\$ 274,843</u>	<u>\$ 6,200</u>	<u>\$ -</u>	<u>\$ 5,835,196</u>

December 31, 2019

	Not Past Due	Overdue			Total
		1 to 120 Days	121 to 365 Days	Over 365 Days	
Gross carrying amount	\$ 5,874,641	\$ 381,676	\$ 183,554	\$ -	\$ 6,439,871
Loss allowance (Lifetime ECLs)	<u>(49,498)</u>	<u>(110,500)</u>	<u>(174,324)</u>	<u>-</u>	<u>(334,322)</u>
Amortized cost	<u>\$ 5,825,143</u>	<u>\$ 271,176</u>	<u>\$ 9,230</u>	<u>\$ -</u>	<u>\$ 6,105,549</u>

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

	Not Past Due and Past Due within 120 Days	Past Due Over 120 Days
Telecommunications service	0.85%-85%	89.47%-100%

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 334,322	\$ 455,722
Add: Provision	171,887	235,964
Recovery	38,132	42,061
Less: Write-off	<u>(257,235)</u>	<u>(399,425)</u>
Ending balance	<u>\$ 287,106</u>	<u>\$ 334,322</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Amount of accounts receivable sold	<u>\$ 917,643</u>	<u>\$ 582,455</u>
Proceeds of the sale of accounts receivable	<u>\$ 52,549</u>	<u>\$ 35,348</u>

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Merchandise	\$ 2,360,178	\$ 3,249,858
Materials for maintenance	<u>7,838</u>	<u>7,422</u>
	<u>\$ 2,368,016</u>	<u>\$ 3,257,280</u>

For the years ended December 31, 2020 and 2019, the cost of goods sold related to inventories amounted to \$17,133,068 thousand and \$19,123,309 thousand, respectively, which included the inventory write-down totaling \$57,863 thousand, and the reversal of inventory write-down totaling \$13,692 thousand, respectively.

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidiaries	\$ 45,250,230	\$ 43,330,614
Associates		
AppWorks Ventures Co., Ltd. (AppWorks)	265,526	226,123
Alliance Digital Tech Co., Ltd. (ADT)	<u>8,615</u>	<u>6,072</u>
	<u>\$ 45,524,371</u>	<u>\$ 43,562,809</u>

### a. Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2020.

b. Associates

Aggregate information of associates that were not individually material:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
TWM's share of:		
Profit (loss)	\$ 44,058	\$ (11,892)
Other comprehensive income (loss)	<u>(2,112)</u>	<u>451</u>
Comprehensive income (loss)	<u>\$ 41,946</u>	<u>\$ (11,441)</u>

1) AppWorks

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

2) 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 December 31, 2020, ADT was still under liquidation procedures.

## 11. PROPERTY, PLANT AND EQUIPMENT

	<b>Land</b>	<b>Buildings</b>	<b>Telecommuni- cations Equipment</b>	<b>Others</b>	<b>Construction in Progress and Equipment to be Inspected</b>	<b>Total</b>
<u>Cost</u>						
Balance, January 1, 2020	\$ 3,163,708	\$ 1,989,928	\$ 69,612,514	\$ 5,124,354	\$ 582,127	\$ 80,472,631
Additions	-	-	10,561	218,723	10,263,204	10,492,488
Disposals and retirements	(13,590)	(7,417)	(3,457,502)	(102,607)	(212)	(3,581,328)
Reclassification	<u>231,061</u>	<u>92,263</u>	<u>9,143,026</u>	<u>15,608</u>	<u>(9,158,935)</u>	<u>323,023</u>
Balance, December 31, 2020	<u>\$ 3,381,179</u>	<u>\$ 2,074,774</u>	<u>\$ 75,308,599</u>	<u>\$ 5,256,078</u>	<u>\$ 1,686,184</u>	<u>\$ 87,706,814</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2020	\$ -	\$ 900,111	\$ 55,636,193	\$ 4,225,159	\$ -	\$ 60,761,463
Depreciation	-	36,940	4,452,808	343,843	-	4,833,591
Disposals and retirements	-	(3,003)	(3,149,322)	(101,041)	-	(3,253,366)
Reclassification	-	<u>37,510</u>	<u>(240)</u>	<u>240</u>	-	<u>37,510</u>
Balance, December 31, 2020	<u>\$ -</u>	<u>\$ 971,558</u>	<u>\$ 56,939,439</u>	<u>\$ 4,468,201</u>	<u>\$ -</u>	<u>\$ 62,379,198</u>
Carrying amount, December 31, 2020	<u>\$ 3,381,179</u>	<u>\$ 1,103,216</u>	<u>\$ 18,369,160</u>	<u>\$ 787,877</u>	<u>\$ 1,686,184</u>	<u>\$ 25,327,616</u>

(Continued)

	Land	Buildings	Telecommuni- cations Equipment	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>						
Balance, January 1, 2019	\$ 3,192,095	\$ 2,023,777	\$ 68,229,717	\$ 5,096,270	\$ 610,043	\$ 79,151,902
Additions	-	-	2,314	167,814	3,926,524	4,096,652
Disposals and retirements	(25,278)	(29,008)	(2,565,740)	(147,861)	(87)	(2,767,974)
Reclassification	(3,109)	(4,841)	3,946,223	8,131	(3,954,353)	(7,949)
Balance, December 31, 2019	<u>\$ 3,163,708</u>	<u>\$ 1,989,928</u>	<u>\$ 69,612,514</u>	<u>\$ 5,124,354</u>	<u>\$ 582,127</u>	<u>\$ 80,472,631</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2019	\$ 1,662	\$ 876,250	\$ 51,994,050	\$ 4,030,066	\$ -	\$ 56,902,028
Depreciation	-	36,654	5,917,389	340,792	-	6,294,835
Disposals and retirements	(1,662)	(10,920)	(2,275,246)	(145,699)	-	(2,433,527)
Reclassification	-	(1,873)	-	-	-	(1,873)
Balance, December 31, 2019	<u>\$ -</u>	<u>\$ 900,111</u>	<u>\$ 55,636,193</u>	<u>\$ 4,225,159</u>	<u>\$ -</u>	<u>\$ 60,761,463</u>
Carrying amount, December 31, 2019	<u>\$ 3,163,708</u>	<u>\$ 1,089,817</u>	<u>\$ 13,976,321</u>	<u>\$ 899,195</u>	<u>\$ 582,127</u>	<u>\$ 19,711,168</u>

(Concluded)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Primary buildings	50-55 years
Mechanical and electrical equipment	15 years
Telecommunications equipment	1-15 years
Others	2-20 years

## 12. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amounts</u>		
Land	\$ 518,633	\$ 555,175
Buildings	6,542,445	7,162,331
Telecommunications equipment	343,524	420,363
Others	<u>112,270</u>	<u>140,522</u>
	<u>\$ 7,516,872</u>	<u>\$ 8,278,391</u>

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 2,931,735</u>	<u>\$ 2,980,837</u>
Depreciation charge for right-of-use assets		
Land	\$ 233,664	\$ 228,588
Buildings	3,062,098	3,092,182
Telecommunications equipment	83,658	82,904
Others	<u>40,582</u>	<u>45,336</u>
	<u>\$ 3,420,002</u>	<u>\$ 3,449,010</u>

Except for the aforementioned additions and recognized depreciation, TWM did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2020 and 2019.

b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amounts</u>		
Current	<u>\$ 3,005,715</u>	<u>\$ 3,060,243</u>
Non-current	<u>\$ 4,526,498</u>	<u>\$ 5,195,924</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Land	0.74%-1%	0.78%-1%
Buildings	0.72%-1%	0.78%-1%
Telecommunications equipment	0.82%-1%	1%
Others	0.74%-0.86%	0.78%-0.86%

c. Material lease-in activities and terms

TWM 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. TWM does not have bargain purchase options to acquire the leasehold assets at the end of the lease terms. In addition, TWM is prohibited from subleasing all or any portion of the underlying assets without the lessors' consents in some lease agreements. TWM can early terminate the arrangements if there are any controversial or other incidental matters that will cause the leasehold assets not being able to meet the purposes of use.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses related to short-term leases	<u>\$ 12,949</u>	<u>\$ 12,154</u>
Expenses related to low-value asset leases	<u>\$ 61,451</u>	<u>\$ 59,235</u>
Expenses related to variable lease payments and not included in the measurement of lease liabilities	<u>\$ 3,148</u>	<u>\$ 5,607</u>
Total cash outflow for leases	<u>\$ 3,532,181</u>	<u>\$ 3,521,686</u>

### 13. INVESTMENT PROPERTIES

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

The fair values of investment properties were measured using Level 3 inputs, arising from income approach, comparative approach, and cost approach adopted by a third party real estate appraiser, HomeBan Appraisers Joint Firm. As of December 31, 2020 and 2019, the fair values of investment properties were \$6,649,908 thousand and \$7,368,734 thousand, respectively, and the capitalization rates for the years were ranging from 1.37%-5.23% and 1.18%-4.42%, respectively.

The amounts of depreciation recognized for the years ended December 31, 2020 and 2019 were \$21,461 thousand and \$21,987 thousand, respectively.

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Year 1	\$ 148,981	\$ 170,166
Year 2	141,104	146,297
Year 3	88,019	135,155
Year 4	33,790	82,100
Year 5	32,742	28,521
Year 6 and thereafter	<u>18,517</u>	<u>51,310</u>
	<u>\$ 463,153</u>	<u>\$ 613,549</u>

### 14. INTANGIBLE ASSETS

	<u>Concession Licenses</u>	<u>Goodwill</u>	<u>Other Intangible Assets</u>		<u>Total</u>
			<u>Computer Software</u>	<u>Copyrights</u>	
<u>Cost</u>					
Balance, January 1, 2020	\$ 41,043,375	\$ 7,121,871	\$ 3,316,424	\$ 6,000	\$ 51,487,670
Addition	29,656,000	-	108,955	27,214	29,792,169
Disposals and retirements	-	-	(1,025,782)	(30,000)	(1,055,782)
Reclassification	<u>1,000,000</u>	<u>-</u>	<u>42,121</u>	<u>31,550</u>	<u>1,073,671</u>
Balance, December 31, 2020	<u>\$ 71,699,375</u>	<u>\$ 7,121,871</u>	<u>\$ 2,441,718</u>	<u>\$ 34,764</u>	<u>\$ 81,297,728</u>
<u>Accumulated amortization and impairment</u>					
Balance, January 1, 2020	\$ 10,303,927	\$ -	\$ 2,876,828	\$ 6,000	\$ 13,186,755
Amortization	3,383,337	-	319,726	20,018	3,723,081
Disposals and retirements	<u>-</u>	<u>-</u>	<u>(959,119)</u>	<u>-</u>	<u>(959,119)</u>
Balance, December 31, 2020	<u>\$ 13,687,264</u>	<u>\$ -</u>	<u>\$ 2,237,435</u>	<u>\$ 26,018</u>	<u>\$ 15,950,717</u>
Carrying amount, December 31, 2020	<u>\$ 58,012,111</u>	<u>\$ 7,121,871</u>	<u>\$ 204,283</u>	<u>\$ 8,746</u>	<u>\$ 65,347,011</u>

(Continued)

	Concession Licenses	Goodwill	Other Intangible Assets		Total
			Computer Software	Copyrights	
<u>Cost</u>					
Balance, January 1, 2019	\$ 41,043,375	\$ 7,121,871	\$ 3,128,758	\$ 6,000	\$ 51,300,004
Addition	-	-	129,657	-	129,657
Disposals and retirements	-	-	(67,976)	-	(67,976)
Reclassification	-	-	125,985	-	125,985
Balance, December 31, 2019	<u>\$ 41,043,375</u>	<u>\$ 7,121,871</u>	<u>\$ 3,316,424</u>	<u>\$ 6,000</u>	<u>\$ 51,487,670</u>
<u>Accumulated amortization and impairment</u>					
Balance, January 1, 2019	\$ 7,663,274	\$ -	\$ 2,578,858	\$ 4,800	\$ 10,246,932
Amortization	2,640,653	-	365,946	1,200	3,007,799
Disposals and retirements	-	-	(67,976)	-	(67,976)
Balance, December 31, 2019	<u>\$ 10,303,927</u>	<u>\$ -</u>	<u>\$ 2,876,828</u>	<u>\$ 6,000</u>	<u>\$ 13,186,755</u>
Carrying amount, December 31, 2019	<u>\$ 30,739,448</u>	<u>\$ 7,121,871</u>	<u>\$ 439,596</u>	<u>\$ -</u>	<u>\$ 38,300,915</u>

(Concluded)

The above intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Concession licenses	14-21 years
Computer software	1-6 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. Goodwill

The goodwill resulted from the merger of TransAsian Telecommunications Inc. in September 2008.

c. Impairment of assets

In conformity with IAS 36 “Impairment of Assets”, TWM identified its mobile communication service as the smallest identifiable units which can generate cash inflows independently.

The recoverable amounts of the operating assets were evaluated by the critical assumptions used for this evaluation were as follows:

1) Assumptions on cash flows

The five-year cash flow projections were estimated on the basis of previous experience, actual operating results, and the financial budget.

2) Assumptions on operating revenues

After taking changes in the telecom industry and the competitive landscape into consideration, operating revenues were estimated on the basis of the projected changes in subscriber numbers, minutes of incoming and outgoing calls, and rate plan composition.

3) Assumptions on operating costs and expenses

The estimates of activation commissions and customer retention costs were based on the new customers obtained and existing customers maintained. The estimates of remaining costs and expenses were based on the cost drivers of each item.

4) Assumptions on discount rates

For the years ended December 31, 2020 and 2019, the discount rates used to calculate the recoverable amount for the asset's cash-generating unit were 5.93% and 6.27%, respectively.

Based on the key assumptions of the cash-generating unit, TWM's management believes that the carrying amounts of these operating assets will not exceed their recoverable amounts even if there are any reasonable changes in the critical assumptions used to estimate recoverable amounts. Thus, there was no impairment of such assets for the years ended December 31, 2020 and 2019.

## 15. OTHER NON-CURRENT ASSETS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Long-term accounts receivable	\$ 4,606	\$ 6,975
Refundable deposits (Note)	414,649	1,391,076
Prepayments for equipment	80,124	58,916
Prepayments for investment	-	100,000
Others	<u>11,119</u>	<u>515</u>
	<u>\$ 510,498</u>	<u>\$ 1,557,482</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.

## 16. BORROWINGS

a. Short-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unsecured loans - financing institution	\$ 9,800,000	\$ 14,600,000
Unsecured loans - related parties	<u>12,470,000</u>	<u>10,535,000</u>
	<u>\$ 22,270,000</u>	<u>\$ 25,135,000</u>
Annual interest rates - financing institution	0.64%-0.88%	0.65%-0.95%
Annual interest rates - related parties	0.86867% - 0.87033%	1.09367% - 1.09422%



For the information on related party loans, see Note 28.

b. Short-term notes and bills payable

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term notes and bills payable	\$ 14,200,000	\$ 1,900,000
Less: Discounts on short-term notes and bills payable	<u>(4,615)</u>	<u>(1,889)</u>
	<u>\$ 14,195,385</u>	<u>\$ 1,898,111</u>
Annual interest rates	0.328%-0.418%	0.688%

c. Long-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unsecured loans	\$ 2,000,000	\$ 6,000,000
Commercial papers payable	6,500,000	-
Less: Current portion	(2,000,000)	-
Less: Discounts on commercial papers payable	<u>(2,580)</u>	<u>-</u>
	<u>\$ 6,497,420</u>	<u>\$ 6,000,000</u>
Annual interest rates - unsecured loans	0.79%	0.72%-0.79%
Annual interest rates - commercial papers payable	0.687%-0.697%	-

1) Unsecured loans

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

2) Commercial papers payable

TWM's commercial papers payable are treated as revolving credit facilities under the contracts. The repayment dates of the commercial papers payable are no later than December 2023.

**17. BONDS PAYABLE**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
5th domestic unsecured straight corporate bonds	\$ 14,991,472	\$ 14,988,914
6th domestic unsecured straight corporate bonds	19,981,751	-
3rd domestic unsecured convertible bonds	632,030	914,522
Less: Current portion	<u>(632,030)</u>	<u>-</u>
	<u>\$ 34,973,223</u>	<u>\$ 15,903,436</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 December 31, 2020, the amount of unamortized bond issue cost was \$8,528 thousand. The trustee of bond holders is Bank of Taiwan.

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

<b>Year</b>	<b>Amount</b>
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 December 31, 2020, the amount of unamortized bond issue cost was \$18,249 thousand. The trustee of bond holders is Bank of Taiwan.

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

<b>Year</b>	<b>Amount</b>
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 December 31, 2020, the amount of unamortized bond discount was \$5,170 thousand.

Proceeds of the issuance (minus transaction costs \$10,870 thousand)	\$ 9,989,130
Equity component	(400,564)
Financial liabilities	<u>(35,961)</u>
Liability component at the date of issuance	9,552,605
Interest charged at an effective interest rate	233,031
Convertible bonds converted into common stock	<u>(8,871,114)</u>
Liability component on December 31, 2019	914,522
Interest charged at an effective interest rate	7,287
Convertible bonds converted into common stock	<u>(289,779)</u>
Liability component on December 31, 2020	<u>\$ 632,030</u>

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

## 18. PROVISIONS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Restoration	\$ 653,796	\$ 736,340
Warranties	<u>21,935</u>	<u>40,111</u>
	<u>\$ 675,731</u>	<u>\$ 776,451</u>
Current	\$ 37,521	\$ 64,020
Non-current	<u>638,210</u>	<u>712,431</u>
	<u>\$ 675,731</u>	<u>\$ 776,451</u>

	<b>Restoration</b>	<b>Warranties</b>	<b>Total</b>
Balance, January 1, 2020	\$ 736,340	\$ 40,111	\$ 776,451
Provision	11,007	35,458	46,465
Payment/Reversal	(94,471)	(53,634)	(148,105)
Unwinding of discount	<u>920</u>	<u>-</u>	<u>920</u>
Balance, December 31, 2020	<u>\$ 653,796</u>	<u>\$ 21,935</u>	<u>\$ 675,731</u>
Balance, January 1, 2019	\$ 743,023	\$ 67,929	\$ 810,952
Provision	13,485	68,301	81,786
Payment/Reversal	(21,302)	(96,119)	(117,421)
Unwinding of discount	<u>1,134</u>	<u>-</u>	<u>1,134</u>
Balance, December 31, 2019	<u>\$ 736,340</u>	<u>\$ 40,111</u>	<u>\$ 776,451</u>

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

Domestic firms of TWM 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. In accordance with the above provision, TWM's contribution to the pension plan amounted to \$157,406 thousand and \$155,002 thousand for the years ended December 31, 2020 and 2019, respectively.

### b. Defined benefit plans

TWM contributed 2% of each employee's monthly wages to the pension fund, with Bank of Taiwan acting as the custodian bank, in accordance with the defined benefit plans (Plans). The Plans provide defined pension benefits for the TWM's certain qualified employees, specified under the Labor Standards Law, and such benefits are determined based on an employee's years of service and average monthly salary for six-month period prior to the date of retirement. Before the end of each year, TWM assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, TWM will fund the difference in one appropriation before the end of March of the following year. The fund is operated and managed by the government's designated authorities; as such, TWM does not have any right to participate in the operation of the fund.

The defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligations	\$ 949,836	\$ 908,961
Fair value of plan assets	<u>(627,129)</u>	<u>(601,355)</u>
Net defined benefit liabilities	<u>\$ 322,707</u>	<u>\$ 307,606</u>

The movements in present value of defined benefit obligations for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance, January 1	\$ 908,961	\$ 845,191
Current service costs	1,434	1,435
Interest costs	7,953	10,565
Actuarial loss - changes in demographic assumptions	4,479	19,120
Actuarial loss - changes in financial assumptions	44,927	44,901
Actuarial loss (gain) - experience adjustments	707	(4,595)
Benefits paid from plan assets	<u>(18,625)</u>	<u>(7,656)</u>
Balance, December 31	<u>\$ 949,836</u>	<u>\$ 908,961</u>

The movements in the fair value of the plan assets for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance, January 1	\$ 601,355	\$ 563,028
Net interest income	5,353	7,171
Return on plan assets (excluding amounts included in net interest)	18,766	18,296
Contributions from the employer	20,280	20,516
Benefits paid from plan assets	<u>(18,625)</u>	<u>(7,656)</u>
Balance, December 31	<u>\$ 627,129</u>	<u>\$ 601,355</u>

The expenses recognized in profit or loss for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current service costs	\$ 1,434	\$ 1,435
Interest costs	7,953	10,565
Net interest income	<u>(5,353)</u>	<u>(7,171)</u>
	<u>\$ 4,034</u>	<u>\$ 4,829</u>

The pre-tax remeasurements recognized in other comprehensive income (loss) for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Return on plan assets (excluding amounts included in net interest)	\$ (18,766)	\$ (18,296)
Actuarial loss - changes in demographic assumptions	4,479	19,120
Actuarial loss - changes in financial assumptions	44,927	44,901
Actuarial loss (gain) - experience adjustments	<u>707</u>	<u>(4,595)</u>
	<u>\$ 31,347</u>	<u>\$ 41,130</u>

Through the defined benefit plans established under the Labor Standards Law, TWM is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial present values of the defined benefit obligation were carried out by the chartered actuary.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate	0.5%	0.875%
Long-term average adjustment rate of salary	2.75%	2.75%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate		
0.25% increase	<u>\$ (30,270)</u>	<u>\$ (30,468)</u>
0.25% decrease	<u>\$ 31,524</u>	<u>\$ 31,780</u>
Long-term average adjustment rate of salary		
0.25% increase	<u>\$ 30,325</u>	<u>\$ 30,699</u>
0.25% decrease	<u>\$ (29,288)</u>	<u>\$ (29,599)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
The expected contributions to the Plan for the following year	<u>\$ 20,856</u>	<u>\$ 20,956</u>
The average duration of the defined benefit obligation	12.8 years	13.4 years

## 20. EQUITY

### a. Share capital

As of December 31, 2020 and 2019, TWM's authorized capital was \$60,000,000 thousand and capital issued and outstanding were \$35,124,215 thousand and \$34,959,441 thousand, respectively, divided into 3,512,421 thousand shares and 3,495,944 thousand shares, respectively, which were all common stocks, at a par value of \$10 each.

As of December 31, 2020 and 2019, the bondholders of the 3rd domestic unsecured convertible bonds had requested to convert the bonds into 91,589 thousand and 88,522 thousand common stocks, respectively. TWM recognized 13,410 thousand of common stocks as capital collected in advance, totaling \$134,104 thousand. 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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Additional paid-in capital from convertible corporate bonds	\$ 13,102,020	\$ 14,424,786
Treasury stock transactions	5,159,704	5,159,704
Difference between consideration and carrying amount arising from the disposal of subsidiaries' stock	85,965	85,965
Changes in equity of subsidiaries	501,215	501,215
Convertible bonds payable options	25,524	37,273
Changes in equity of associates accounted for using equity method	26,342	30,801
Others	<u>35,804</u>	<u>34,950</u>
	<u>\$ 18,936,574</u>	<u>\$ 20,274,694</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:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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.

TWM's 2020 earnings appropriations will be proposed by the Board of Directors and approved in the AGM. Information on earnings appropriations is available on the Market Observation Post System website of the Taiwan Stock Exchange.



d. Other equity interests

	<b>Exchange Differences on Translation</b>	<b>Unrealized Gain (Loss) on Financial Assets at FVTOCI</b>	<b>Total</b>
Balance, January 1, 2020	\$ (34,505)	\$ 473,410	\$ 438,905
Changes in fair value of financial assets at FVTOCI	-	(392,531)	(392,531)
Unrealized gain of equity instruments transferred to retained earnings due to disposal	-	(2,052,067)	(2,052,067)
Changes in other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	2,826	(486,983)	(484,157)
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>42,307</u>	<u>42,307</u>
Balance, December 31, 2020	<u>\$ (31,679)</u>	<u>\$ (2,418,060)</u>	<u>\$ (2,449,739)</u>
Balance, January 1, 2019	\$ (24,398)	\$ (70,983)	\$ (95,381)
Changes in fair value of financial assets at FVTOCI	-	(225,035)	(225,035)
Changes in other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	(10,107)	707,045	696,938
Income tax effect	<u>-</u>	<u>62,383</u>	<u>62,383</u>
Balance, December 31, 2019	<u>\$ (34,505)</u>	<u>\$ 473,410</u>	<u>\$ 438,905</u>

e. Treasury stock

As of December 31, 2020 and 2019, TWM's stocks held for the investment purposes by TCC Investment Co., Ltd. (TCCI), TFN Union Investment Co., Ltd. (TUI) and TCCI Investment and Development Co., Ltd. (TID), which are all wholly-owned by TWM, were 698,752 thousand shares, and the market values were \$69,106,533 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.

## 21. OPERATING REVENUES

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue from contracts with customers		
Telecommunications and value-added services	\$ 40,716,160	\$ 43,961,247
Sales revenue	15,997,270	18,287,606
Other operating revenues	<u>176,774</u>	<u>177,417</u>
	<u>\$ 56,890,204</u>	<u>\$ 62,426,270</u>

a. Contract information

Please refer to Note 4.

b. Contract balances

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Contract assets			
Bundle sales	\$ 8,433,657	\$ 8,356,511	\$ 8,735,048
Less: Allowance for impairment loss	<u>(71,686)</u>	<u>(71,030)</u>	<u>(74,248)</u>
	<u>\$ 8,361,971</u>	<u>\$ 8,285,481</u>	<u>\$ 8,660,800</u>
Current	\$ 4,612,234	\$ 4,827,361	\$ 5,460,190
Non-current	<u>3,749,737</u>	<u>3,458,120</u>	<u>3,200,610</u>
	<u>\$ 8,361,971</u>	<u>\$ 8,285,481</u>	<u>\$ 8,660,800</u>

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

TWM measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk as the trade receivables. Therefore, TWM concluded that the expected loss rates for trade receivables can be applied to the contract assets. As of December 31, 2020 and 2019, the expected credit loss rates were both 0.85%.

Movements of the loss allowance of contract assets were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance	\$ 71,030	\$ 74,248
Provision (recovery)	<u>656</u>	<u>(3,218)</u>
Ending balance	<u>\$ 71,686</u>	<u>\$ 71,030</u>

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities			
Telecommunications and value-added services	\$ 1,182,830	\$ 1,033,941	\$ 1,126,758
Sales of goods	<u>8,955</u>	<u>7,441</u>	<u>25,573</u>
	<u>\$ 1,191,785</u>	<u>\$ 1,041,382</u>	<u>\$ 1,152,331</u>
Current	\$ 1,133,438	\$ 1,041,382	\$ 1,152,331
Non-current	<u>58,347</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,191,785</u>	<u>\$ 1,041,382</u>	<u>\$ 1,152,331</u>

The changes in balances of contract assets and contract liabilities primarily result from the timing difference between the satisfaction of performance obligations and the payments collected from customers. Other significant changes were as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Contract assets		
Transfers of beginning balance to receivables	\$ 4,868,087	\$ 5,422,665

Revenue recognized in the current year from the contract liabilities at the beginning of the year is as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Contract liabilities		
Telecommunications and value-added services	\$ 996,598	\$ 1,031,299
Sales of goods	<u>6,131</u>	<u>24,263</u>
	<u>\$ 1,002,729</u>	<u>\$ 1,055,562</u>

c. Partially completed contracts

As of December 31, 2020, the transaction prices allocated to the performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as follows:

	In 2021	In 2022	After 2022	Total
Telecommunications and Value-added Services	<u>\$ 24,313,560</u>	<u>\$ 10,733,118</u>	<u>\$ 2,651,313</u>	<u>\$ 37,697,991</u>

The above information does not include contracts with expected durations which are equal to or less than one year.

d. Assets related to contract costs

	<u>December 31</u>	
	2020	2019
Incremental costs of obtaining a contract - non-current	<u>\$ 1,671,623</u>	<u>\$ 2,039,338</u>

TWM considered the past experience and the default clauses in the sale contracts and believed the commission and the subsidy paid for obtaining a contract are wholly recoverable, therefore, such costs are capitalized. The amounts of amortization recognized for the years ended December 31, 2020 and 2019 were \$1,633,231 thousand and \$2,417,688 thousand, respectively.

## 22. NON-OPERATING INCOME AND EXPENSES

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Dividend income	\$ 9,185	\$ 9,735
Other income	<u>3,966</u>	<u>10,339</u>
	<u>\$ 13,151</u>	<u>\$ 20,074</u>

### b. Other gains and losses, net

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Loss on disposal and retirement of property, plant and equipment, net	\$ (291,044)	\$ (274,349)
Loss on disposal and retirement of intangible assets, net	(57,863)	-
Valuation gain on financial liabilities at FVTPL	-	1,819
Gain (loss) on foreign exchange, net	19,829	(21,462)
Others	<u>(1,372)</u>	<u>(2,281)</u>
	<u>\$ (330,450)</u>	<u>\$ (296,273)</u>

### c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest expense		
Bank loans	\$ 127,915	\$ 120,590
Corporate bonds	257,226	249,243
Related parties	104,521	112,292
Lease liabilities	68,289	74,838
Commercial papers payable	58,851	12,232
Others	<u>1,362</u>	<u>1,544</u>
	618,164	570,739
Less: Capitalized interest	<u>-</u>	<u>(4,946)</u>
	<u>\$ 618,164</u>	<u>\$ 565,793</u>
Capitalization rates	-	1.34%

## 23. INCOME TAX

### a. Income tax recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current income tax expense		
Current period	\$ 1,272,498	\$ 1,573,194
Prior years' adjustment	(1,465)	47,590
Others	-	(10,554)
	<u>1,271,033</u>	<u>1,610,230</u>
Deferred income tax expense		
Temporary differences	<u>84,418</u>	<u>71,088</u>
Income tax expense	<u>\$ 1,355,451</u>	<u>\$ 1,681,318</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before tax	<u>\$ 12,642,004</u>	<u>\$ 14,162,485</u>
Income tax expense at domestic statutory tax rate	\$ 2,528,401	\$ 2,832,497
Adjustment items in determining taxable profit	(1,256,882)	(1,257,371)
Temporary differences	84,418	71,088
Investment tax credits	-	(2,217)
Land value increment tax	979	285
Prior years' other adjustments	(1,465)	47,590
Others	-	(10,554)
	<u>\$ 1,355,451</u>	<u>\$ 1,681,318</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, TWMM has already deducted the amount of the unappropriated earnings that has been reinvested as capital expenditures.

### b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Deferred income tax income		
Unrealized gain on financial assets at FVTOCI	\$ 42,307	\$ 62,383
Remeasurements from defined benefit plans	<u>6,269</u>	<u>8,226</u>
	<u>\$ 48,576</u>	<u>\$ 70,609</u>

c. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the Year Ended December 31, 2020</b>				
	<b>Opening Balance</b>	<b>Recognized in</b>		<b>Closing Balance</b>	
		<b>Profit or Loss</b>	<b>Other Comprehensive Income (Loss)</b>		
<u>Deferred tax assets</u>					
Property, plant and equipment	\$ 271,563	\$ (16,461)	\$ -	\$ 255,102	
Defined benefit plans	61,521	(3,249)	6,269	64,541	
Financial assets at FVTOCI	69,466	-	42,307	111,773	
Others	<u>216,209</u>	<u>(9,680)</u>	<u>-</u>	<u>206,529</u>	
	<u>\$ 618,759</u>	<u>\$ (29,390)</u>	<u>\$ 48,576</u>	<u>\$ 637,945</u>	
<u>Deferred tax liabilities</u>					
Intangible assets	<u>\$ 623,651</u>	<u>\$ 55,028</u>	<u>\$ -</u>	<u>\$ 678,679</u>	
	<b>For the Year Ended December 31, 2019</b>				
	<b>Opening Balance</b>	<b>Effect of Application</b>	<b>Recognized in</b>		<b>Closing Balance</b>
			<b>Profit or Loss</b>	<b>Other Comprehensive Income (Loss)</b>	
<u>Deferred tax assets</u>					
Property, plant and equipment	\$ 288,138	\$ -	\$ (16,575)	\$ -	\$ 271,563
Defined benefit plans	56,433	-	(3,138)	8,226	61,521
Financial assets at FVTOCI	7,083	-	-	62,383	69,466
Others	<u>215,889</u>	<u>(2,487)</u>	<u>2,807</u>	<u>-</u>	<u>216,209</u>
	<u>\$ 567,543</u>	<u>\$ (2,487)</u>	<u>\$ (16,906)</u>	<u>\$ 70,609</u>	<u>\$ 618,759</u>
<u>Deferred tax liabilities</u>					
Intangible assets	\$ 568,623	\$ -	\$ 55,028	\$ -	\$ 623,651
Others	<u>846</u>	<u>-</u>	<u>(846)</u>	<u>-</u>	<u>-</u>
	<u>\$ 569,469</u>	<u>\$ -</u>	<u>\$ 54,182</u>	<u>\$ -</u>	<u>\$ 623,651</u>

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

## 24. EARNINGS PER SHARE

<b>For the Year Ended December 31, 2020</b>			
	<b>Amount After Income Tax</b>	<b>Weighted- average Number of Shares (In Thousands)</b>	<b>EPS (NT\$)</b>
<b>Basic EPS</b>			
Profit attributable to stockholders	\$ 11,286,553	2,811,916	<u>\$ 4.01</u>
Effect of potential dilutive common stock:			
Employees' compensation	-	4,119	
Convertible bonds	<u>7,287</u>	<u>8,419</u>	
<b>Diluted EPS</b>			
Profit attributable to stockholders (adjusted for potential effect of common stock)	<u>\$ 11,293,840</u>	<u>2,824,454</u>	<u>\$ 3.99</u>
<b>For the Year Ended December 31, 2019</b>			
	<b>Amount After Income Tax</b>	<b>Weighted- average Number of Shares (In Thousands)</b>	<b>EPS (NT\$)</b>
<b>Basic EPS</b>			
Profit attributable to stockholders	\$ 12,481,167	2,767,709	<u>\$ 4.51</u>
Effect of potential dilutive common stock:			
Employees' compensation	-	3,863	
Convertible bonds	<u>45,453</u>	<u>52,208</u>	
<b>Diluted EPS</b>			
Profit attributable to stockholders (adjusted for potential effect of common stock)	<u>\$ 12,526,620</u>	<u>2,823,780</u>	<u>\$ 4.44</u>

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

## 25. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities:

For the Year Ended December 31, 2020

	<b>Opening Balance</b>	<b>Cash Flows</b>	<b>Non-cash Changes</b>		<b>Closing Balance</b>
			<b>New Leases</b>	<b>Others</b>	
Lease liabilities (including current and non-current portions)	<u>\$ 8,256,167</u>	<u>\$(3,431,905)</u>	<u>\$ 2,929,291</u>	<u>\$ (221,340)</u>	<u>\$ 7,532,213</u>

For the Year Ended December 31, 2019

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

## 26. CAPITAL MANAGEMENT

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

## 27. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
Financial assets at FVTOCI (including current and non-current portions)	\$ 1,954,772	\$ 1,847,303
Financial assets measured at amortized cost (including current and non-current portions) (Note 1)	<u>8,890,563</u>	<u>9,707,843</u>
	<u>\$ 10,845,335</u>	<u>\$ 11,555,146</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (including current and non-current portions) (Note 2)	<u>\$ 91,770,797</u>	<u>\$ 57,779,271</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 long-term and short-term borrowings, commercial papers payable, notes and accounts payable, other payables, other financial liabilities (classified as other current liabilities), bonds payable and guarantee deposits, which were financial liabilities carried at amortized cost.



b. Fair value of financial instruments

1) Financial instruments not measured at fair value

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

	<b>December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial liabilities</u>				
Bonds payable (including current portion)	\$ 35,605,253	\$ 35,885,879	\$ 15,903,436	\$ 16,077,220

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

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

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

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

December 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 1,218,340	\$ -	\$ -	\$ 1,218,340
Domestic unlisted stocks	-	-	456,109	456,109
Limited partnerships	-	-	249,827	249,827
Foreign unlisted stocks	-	-	30,496	30,496
	<u>\$ 1,218,340</u>	<u>\$ -</u>	<u>\$ 736,432</u>	<u>\$ 1,954,772</u>

December 31, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 1,355,446	\$ -	\$ -	\$ 1,355,446
Limited partnerships	-	-	462,068	462,068
Foreign unlisted stocks	<u>-</u>	<u>-</u>	<u>29,789</u>	<u>29,789</u>
	<u>\$ 1,355,446</u>	<u>\$ -</u>	<u>\$ 491,857</u>	<u>\$ 1,847,303</u>

There was no transfer between the fair value measurements of Levels 1 and 2 for the years ended December 31, 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:

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

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

For the Year Ended December 31, 2020

	<b>Financial Assets at FVTOCI - Equity Instruments</b>
Balance at January 1, 2020	\$ 491,857
Additions	500,000
Recognized in other comprehensive income (unrealized loss on financial assets at FVTOCI)	<u>(255,425)</u>
Balance at December 31, 2020	<u>\$ 736,432</u>

For the Year Ended December 31, 2019

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

c. Financial risk management

1) TWM's major financial instruments include equity investments, trade receivables, trade payables, commercial papers payable, bonds payable, borrowings, lease liabilities, etc., and TWM is exposed to the following risks due to usage of financial instruments:

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

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

2) Risk management framework

a) Decision-making mechanism

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

b) Risk management policies

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

c) Monitoring mechanism

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

### 3) Credit risk

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

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

### 4) Liquidity risk

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

TWM manages and maintains sufficient level of capital to ensure the requirements of paying estimated operating expenditures, including financial obligations on each contract. TWM also monitors its bank credit facilities to ensure that the company fully complies with the provisions and financial covenants of loan contracts. As of December 31, 2020 and 2019, TWM had unused bank facilities of \$58,829,513 thousand and \$50,260,520 thousand, respectively.

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

	<b>Contractual Cash Flows</b>	<b>Within 1 Year</b>	<b>1-5 Years</b>	<b>More Than 5 Years</b>
<u>December 31, 2020</u>				
Unsecured loans	\$ 11,818,822	\$ 11,818,822	\$ -	\$ -
Unsecured loans - related parties	12,560,603	12,560,603	-	-
Commercial papers payable	20,831,278	14,242,137	6,589,141	-
Bonds payable	37,221,840	912,080	20,997,760	15,312,000
Lease liabilities	<u>7,625,153</u>	<u>3,054,325</u>	<u>4,552,245</u>	<u>18,583</u>
	<u>\$ 90,057,696</u>	<u>\$ 42,587,967</u>	<u>\$ 32,139,146</u>	<u>\$ 15,330,583</u>

(Continued)

	<b>Contractual Cash Flows</b>	<b>Within 1 Year</b>	<b>1-5 Years</b>	<b>More Than 5 Years</b>
<u>December 31, 2019</u>				
Unsecured loans	\$ 20,679,676	\$ 14,665,888	\$ 6,013,788	\$ -
Unsecured loans - related parties	10,634,889	10,634,889	-	-
Commercial papers payable	1,900,000	1,900,000	-	-
Bonds payable	16,674,020	140,880	7,443,140	9,090,000
Lease liabilities	<u>8,371,445</u>	<u>3,117,112</u>	<u>5,233,247</u>	<u>21,086</u>
	<u>\$ 58,260,030</u>	<u>\$ 30,458,769</u>	<u>\$ 18,690,175</u>	<u>\$ 9,111,086</u>

(Concluded)

#### 5) Market risk

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

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

##### a) Exchange rate risk

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

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

	<b>December 31, 2020</b>		
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 25,914	28.48	\$ 738,036
EUR	1,021	34.94	35,666
Non-monetary items			
USD	9,843	28.48	280,323
<u>Foreign currency liabilities</u>			
Monetary items			
USD	3,076	28.48	87,597
EUR	2	34.94	82

	<b>December 31, 2019</b>		
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 27,207	30.02	\$ 816,761
EUR	1,162	33.62	39,057
Non-monetary items			
USD	16,384	30.02	491,857
<u>Foreign currency liabilities</u>			
Monetary items			
USD	4,744	30.02	142,424
EUR	32	33.62	1,073

Refer to Note 22(b) for the information related to TWM's realized and unrealized foreign exchange gains (losses) for the years ended December 31, 2020 and 2019, respectively.

#### Sensitivity analysis

TWM's exchange rate risk comes mainly from conversion gains and losses of accounts denominated in monetary items of foreign currencies. If there had been an unfavorable 5% movement in the levels of foreign exchanges against NTD at the end of the reporting period (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have decreased by \$34,301 thousand and \$35,616 thousand for the years ended December 31, 2020 and 2019, respectively.

#### b) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial liabilities	\$ 87,468,241	\$ 50,078,192
Cash flow interest rate risk		
Financial assets	1,477,921	1,231,232
Financial liabilities	-	6,200,000

#### Sensitivity analysis

The following sensitivity analysis is based on the exposure to interest rate risk of derivative and non-derivative instruments at the end of the reporting period. For floating-rate assets and liabilities, the analysis assumes that the balances of outstanding assets and liabilities at the end of the reporting period have been outstanding for the whole period and that the changes in

interest rates are reasonable. If the interest rate had increased by 50 basis points (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have increased by \$7,390 thousand and decreased by \$24,844 thousand for the years ended December 31, 2020 and 2019, respectively.

c) Other market price risk

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

Sensitivity analysis

If the prices of equity instruments had decreased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), other comprehensive income would have decreased by \$97,739 thousand and \$92,365 thousand since the fair value of financial assets at FVTOCI decreased for the years ended December 31, 2020 and 2019, respectively.

## 28. RELATED-PARTY TRANSACTIONS

a. Related party name and nature of relationship

<u>Related Party</u>	<u>Nature of Relationship</u>
Taiwan Cellular Co., Ltd. (TCC)	Subsidiary
Wealth Media Technology Co., Ltd. (WMT)	Subsidiary
Taipei New Horizon Co., Ltd. (TNH)	Subsidiary
Taiwan Fixed Network Co., Ltd. (TFN)	Subsidiary
Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Subsidiary
momo.com Inc. (momo)	Subsidiary
Taiwan Kuro Times Co., Ltd. (TKT)	Subsidiary
TWM Venture Co., Ltd. (TVC)	Subsidiary
Taiwan Digital Service Co., Ltd. (TDS)	Subsidiary
TUI	Subsidiary
TCCI	Subsidiary
TID	Subsidiary
Taihsin Property Insurance Agent Co., Ltd. (TPIA)	Subsidiary
Tai-Fu Cloud Technology Co., Ltd. (TFC)	Subsidiary
TFN Media Co., Ltd. (TFNM)	Subsidiary
Global Forest Media Technology Co., Ltd. (GFMT)	Subsidiary
Win TV Broadcasting Co., Ltd. (WTVB)	Subsidiary
Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Subsidiary
Mangrove Cable TV Co., Ltd. (MCTV)	Subsidiary
Phoenix Cable TV Co., Ltd. (PCTV)	Subsidiary
Union Cable TV Co., Ltd. (UCTV)	Subsidiary
Globalview Cable TV Co., Ltd. (GCTV)	Subsidiary
Bebe Poshe International Co., Ltd. (Bebe Poshe)	Subsidiary
ADT	Associate
Mistake Entertainment Co., Ltd. (M.E.)	Associate
Taiwan Pelican Express Co., Ltd. (TPE)	Associate
kbro Media Co., Ltd. (kbro Media)	Associate
Good Image Co., Ltd.	Associate (subsidiary of kbro Media)
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Other related party

(Continued)

<u>Related Party</u>	<u>Nature of Relationship</u>
Fubon Insurance Co., Ltd. (Fubon Ins.)	Other related party
Fubon Sports & Entertainment Co., Ltd. (FSE)	Other related party
Fubon Property Management Co., Ltd.	Other related party
Fubon Financial Holding Co., Ltd.	Other related party
Fubon Life Insurance Co., Ltd. (Fubon Life)	Other related party
Fubon Securities Co., Ltd.	Other related party
Fubon Futures Co., Ltd.	Other related party
Fubon Investment Services Co., Ltd.	Other related party
Fubon Securities Investment Trust Co., Ltd.	Other related party
Fubon Marketing Co., Ltd.	Other related party
Fu-Sheng Life Insurance Agency Co., Ltd.	Other related party
Fu-Sheng General Insurance Agency Co., Ltd.	Other related party
Fubon Financial Venture Capital Co., Ltd.	Other related party
Fubon Gymnasium Co., Ltd.	Other related party
Fubon Asset Management Co., Ltd.	Other related party
One Production Film Co., Ltd.	Other related party
Fubon Land Development Co., Ltd.	Other related party
Fubon Real Estate Management Co., Ltd.	Other related party
Fubon Hospitality Management Co., Ltd.	Other related party
Chung Hsing Constructions Co., Ltd.	Other related party
Fu Yi Health Management Co., Ltd.	Other related party
Far Eastern Memorial Hospital	Other related party
Chen Feng Investment Ltd.	Other related party
Chen Yun Co., Ltd.	Other related party
Xi Guo Co., Ltd.	Other related party
Dun Fu Industrial Corporation Limited.	Other related party
Taiwan Mobile Foundation (TMF)	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)

b. Significant transactions with related parties

1) Operating revenue

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Subsidiaries	\$ 2,493,856	\$ 1,627,727
Associates	17,799	19,440
Other related parties	<u>227,661</u>	<u>251,424</u>
	<u>\$ 2,739,316</u>	<u>\$ 1,898,591</u>

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



2) Purchases

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidiaries		
TFN	\$ 4,471,069	\$ 4,432,345
Others	628,254	461,639
Associates	3,386	2,835
Other related parties	<u>38,985</u>	<u>131,289</u>
	<u>\$ 5,141,694</u>	<u>\$ 5,028,108</u>

The entities mentioned above provide telecommunications and value-added services, purchases, member service costs and other services. The transaction terms with related parties were not significantly different from those with third parties.

3) Receivables due from related parties

<b>Account</b>	<b>Related Party Categories</b>	<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
Accounts receivable	Subsidiaries	\$ 453,417	\$ 252,988
Accounts receivable	Associates	1,179	1,158
Accounts receivable	Other related parties	<u>32,774</u>	<u>31,617</u>
		<u>\$ 487,370</u>	<u>\$ 285,763</u>
Other receivables	Subsidiaries	\$ 32,602	\$ 37,615
Other receivables	Other related parties	<u>20,337</u>	<u>27,492</u>
		<u>\$ 52,939</u>	<u>\$ 65,107</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

<b>Account</b>	<b>Related Party Categories</b>	<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
Accounts payable	Subsidiaries	\$ 214,721	\$ 161,820
Accounts payable	Other related parties	<u>50</u>	<u>10,183</u>
		<u>\$ 214,771</u>	<u>\$ 172,003</u>
Other payables	Subsidiaries	\$ 577,536	\$ 495,321
Other payables	Other related parties	<u>10,568</u>	<u>9,879</u>
		<u>\$ 588,104</u>	<u>\$ 505,200</u>

5) Transaction of property

Disposals of property, plant and equipment

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Proceeds</b>	<b>Gain (Loss) on Disposal</b>	<b>Proceeds</b>	<b>Gain (Loss) on Disposal</b>
Subsidiaries				
TKT	<u>\$ 5,618</u>	<u>\$ -</u>	<u>\$ 14,770</u>	<u>\$ -</u>

6) Borrowings from related parties

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidiaries		
TFN	\$ 8,453,000	\$ 7,600,000
WMT	3,071,000	2,876,000
Others	<u>946,000</u>	<u>59,000</u>
	<u>\$ 12,470,000</u>	<u>\$ 10,535,000</u>

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

7) Bank deposits and other financial assets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Other related parties		
TFCB	<u>\$ 440,543</u>	<u>\$ 293,607</u>

8) Acquisition of investments accounted for using equity method

For the Year Ended December 31, 2019

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

9) Others

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Guarantee deposits		
Subsidiaries	<u>\$ 18,259</u>	<u>\$ 18,071</u>

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Other current liabilities - receipts under custody		
Subsidiaries	\$ 55,136	\$ 50,371
Other related parties	<u>150,528</u>	<u>123,993</u>
	<u>\$ 205,664</u>	<u>\$ 174,364</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating expenses		
Subsidiaries		
TFN	\$ 32,363	\$ 32,393
TT&T	1,008,960	1,030,475
Others	-	65,827
Other related parties		
TMF	15,650	13,100
FSE	32,571	31,000
TFCB	124,538	140,197
Others	<u>61,044</u>	<u>77,868</u>
	<u>\$ 1,275,126</u>	<u>\$ 1,390,860</u>

For the years ended December 31, 2020 and 2019, TWM's service charges received (recognized as deduction of other income and expenses) were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Amounts received		
Subsidiaries		
TFN	<u>\$ 392,889</u>	<u>\$ 342,257</u>

For the years ended December 31, 2020 and 2019, TWM's service charges paid were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Amounts paid		
Subsidiaries		
TFN	<u>\$ 63,706</u>	<u>\$ 69,841</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Finance costs - interest expenses of financing from other parties		
Subsidiaries		
TFN	\$ 73,515	\$ 81,219
Others	<u>31,006</u>	<u>31,073</u>
	<u>\$ 104,521</u>	<u>\$ 112,292</u>

10) Lease arrangements

Acquisition of right-of-use assets

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidiaries	\$ 13,497	\$ 40,262
Other related parties	<u>12,646</u>	<u>44,265</u>
	<u>\$ 26,143</u>	<u>\$ 84,527</u>

Lease liabilities (including current and non-current portions)

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidiaries	\$ 478,155	\$ 627,850
Other related parties	<u>34,249</u>	<u>61,079</u>
	<u>\$ 512,404</u>	<u>\$ 688,929</u>

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

c. Key management compensation

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 234,685	\$ 224,042
Termination and post-employment benefits	<u>5,578</u>	<u>16,528</u>
	<u>\$ 240,263</u>	<u>\$ 240,570</u>

**29. ASSETS PLEDGED**

The assets pledged as collateral for performance bonds were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Other current financial assets	\$ 36,514	\$ 20,893
Other non-current financial assets	<u>480</u>	<u>480</u>
	<u>\$ 36,994</u>	<u>\$ 21,373</u>

### 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Purchases of property, plant and equipment	<u>\$ 7,625,904</u>	<u>\$ 3,105,578</u>
Purchases of cellular phones	<u>\$ 5,500,331</u>	<u>\$ 2,268,710</u>

As of December 31, 2020 and 2019, the amounts of lease commitments commencing after the balance sheet date were \$418,371 thousand and \$293,272 thousand, respectively.

b. As of December 31, 2020 and 2019, the amounts of endorsements and guarantees provided to TFN and TKT were both \$21,550,000 thousand.

c. In accordance with the NCC's policy and regulations, TWM entered into a contract with DBS Bank Ltd., which provided a performance guarantee for advance receipts from prepaid cards and electronic gift certificates, totaling \$612,902 thousand and \$14,969 thousand, respectively, as of December 31, 2020.

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

### 31. OTHERS

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

	<b>For the Year Ended December 31, 2020</b>			
	<b>Classified as Operating Costs</b>	<b>Classified as Operating Expenses</b>	<b>Classified as Operating Costs or Expense Deduction</b>	<b>Total</b>
Employee benefits				
Salary	\$ 1,079,787	\$ 2,440,965	\$ 302,482	\$ 3,823,234
Insurance expenses	77,105	202,207	18,819	298,131
Pension	44,322	106,163	10,955	161,440
Compensation of directors	-	84,173	-	84,173
Others	47,258	131,618	887	179,763
Depreciation	7,422,548	852,506	-	8,275,054
Amortization	3,424,456	1,931,856	-	5,356,312
	<b>For the Year Ended December 31, 2019</b>			
	<b>Classified as Operating Costs</b>	<b>Classified as Operating Expenses</b>	<b>Classified as Operating Costs or Expense Deduction</b>	<b>Total</b>
Employee benefits				
Salary	\$ 1,072,936	\$ 2,285,932	\$ 403,998	\$ 3,762,866
Insurance expenses	73,308	196,645	24,544	294,497
Pension	43,568	101,107	15,156	159,831
Compensation of directors	-	81,343	-	81,343
Others	47,619	132,776	4,216	184,611
Depreciation	8,903,729	862,103	-	9,765,832
Amortization	2,645,751	2,779,736	-	5,425,487

- 1) For the years ended December 31, 2020 and 2019, the average numbers of TWM employees were 3,766 and 3,740, respectively, and the numbers of directors who were not employees were both 8.

- 2) For the years ended December 31, 2020 and 2019, TWM's average employee benefits were \$1,187 thousand and \$1,179 thousand, respectively, and TWM's average salaries were \$1,017 thousand and \$1,008 thousand, respectively. The percentage change in the average salary expenses was 0.9%.
- 3) TWM does not have any supervisors.
- 4) The compensation policies of TWM are as follow:

#### Directors

The remuneration or other equivalent allowances for directors is determined based on their involvement in TWM's operations, contributions to the Company, and the general pay levels in the industry.

If TWM makes a profit, remuneration of directors is set at no higher than 0.3% of the profit which is specified in TWM's Articles of Incorporation.

Transportation allowances paid are based on attendance in board meetings and for services rendered as the chairman or a member of the Audit Committee or Remuneration and Nomination Committee.

#### Managers

Compensation of managers comprises fixed salary and variable compensation. Fixed salary is paid monthly. Variable compensation is in the form of employee profit sharing and performance-based bonuses, which accounts for approximately 50% of the total compensation of each manager. TWM takes the manager's contribution to the company's operations, future operating risk exposure, environmental conservation and corporate social responsibility into consideration during their assessment of the compensation of managers in accordance with the performance management policies.

In order to strengthen the link between corporate social responsibility and compensation of the manager, the manager's performance grade will be downgraded or the compensation and performance bonuses will decrease by 10% if the goal of corporate social responsibility is not achieved.

Variable compensation is proposed by the Remuneration and Nomination Committee and approved by the Board of Directors.

#### Employees

In order to maintain the competitiveness of compensation, TWM evaluates the pay level in the labor market by conducting salary surveys every year. Operational performance and future development are also taken into consideration when determining the compensation policy. Compensation and performance bonuses of employees differ based on the performance of each employee in order to reward the outstanding employees for their contributions to the company.

- 5) 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 calculated by applying the rates to the aforementioned profit before income tax, for the years ended December 31, 2020 and 2019, respectively.

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

The employees' compensation and remuneration of directors of 2020 and 2019 shown below were approved by the Board of Directors on February 25, 2021 and February 21, 2020, respectively. The differences with the amounts recognized in the financial statements have been adjusted in 2021 and 2020, respectively.

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Employees' Compensation Paid in Cash</b>	<b>Remuneration of Directors</b>	<b>Employees' Compensation Paid in Cash</b>	<b>Remuneration of Directors</b>
Amounts approved by the Board of Directors	<u>\$ 390,869</u>	<u>\$ 39,087</u>	<u>\$ 437,880</u>	<u>\$ 43,788</u>
Amounts recognized in the financial statements	<u>\$ 351,782</u>	<u>\$ 35,178</u>	<u>\$ 394,092</u>	<u>\$ 39,409</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 financial statements were authorized for issue, the COVID-19 epidemic did not have a significant impact on TWM's operating ability, financing situation and assessment of asset impairment, and TWM is continuously monitoring and assessing the situation.

### 32. 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 or 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 investments in mainland China): Table 8 (attached)



10) Trading in derivative instruments: None

c. Information on investments in mainland China:

- 1) The names of investees in mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 9 (attached)
  - 2) Significant direct or indirect transactions with the investee companies, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: None
- 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 10 (attached)

### **33. SEGMENT INFORMATION**

Please refer to the consolidated financial statements for the year ended December 31, 2020.

## TAIWAN MOBILE CO., LTD.

FINANCING EXTENDED TO OTHER PARTIES  
FOR THE YEAR ENDED DECEMBER 31, 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	\$ -	-	\$ -	\$ 32,930,330	\$ 32,930,330	Note 2
			Other receivables	Yes	700,000	700,000	341,000	1.16867%-1.39400%	Short-term financing	-	Operation requirements	-	-	-	32,930,330	32,930,330	Note 2
2	WMT	TWM TKT TFNM WTVB	Other receivables	Yes	3,800,000	3,800,000	3,071,000	0.86867%-1.09422%	Short-term financing	-	Operation requirements	-	-	-	8,554,493	8,554,493	Note 2
			Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,554,493	8,554,493	Note 2
			Other receivables	Yes	2,770,000	2,430,000	730,000	0.87033%-1.09422%	Short-term financing	-	Operation requirements	-	-	-	8,554,493	8,554,493	Note 2
			Other receivables	Yes	1,000,000	1,000,000	590,000	0.86878%-1.09433%	Short-term financing	-	Operation requirements	-	-	-	8,554,493	8,554,493	Note 2
3	TVC	TWM	Other receivables	Yes	600,000	600,000	600,000	0.86867%	Short-term financing	-	Operation requirements	-	-	-	634,989	634,989	Note 2
4	TFN	TWM TCC	Other receivables	Yes	11,000,000	11,000,000	8,453,000	0.86867%-1.09422%	Short-term financing	-	Operation requirements	-	-	-	21,575,577	21,575,577	Note 2
			Other receivables	Yes	700,000	700,000	341,000	0.86867%-1.09400%	Short-term financing	-	Operation requirements	-	-	-	21,575,577	21,575,577	Note 2
5	YJCTV	TFNM	Other receivables	Yes	100,000	60,000	60,000	0.86900%-1.09378%	Transactions	460,717	-	-	-	-	460,717	460,717	Notes 3 and 4
6	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	0.86900%-1.09378%	Transactions	538,231	-	-	-	-	538,231	538,231	Notes 3 and 4
7	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	0.86900%-1.09378%	Short-term financing	-	Repayment of financing	-	-	-	286,370	286,370	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.

ENDORSEMENTS/GUARANTEES PROVIDED TO OTHER PARTIES  
FOR THE YEAR ENDED DECEMBER 31, 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	\$ 6,500,000 50,000	\$ - -	32.89 0.08	\$ 65,365,100 65,365,100	Y Y	N N	N N	Note 3 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.

## TAIWAN MOBILE CO., LTD.

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)  
DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 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	\$ 236,913	0.028	\$ 236,913	
	Asia Pacific Telecom Co., Ltd.	-	Non-current financial assets at FVTOCI	97,171	981,427	2.55	981,427	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at FVTOCI	800	30,496	10	30,496	
	LINE Bank Taiwan Limited	-	Non-current financial assets at FVTOCI	50,000	456,109	5	456,109	
	<u>Limited Partnerships</u>							
	Grand Academy Investment, L.P.	-	Non-current financial assets at FVTOCI	-	218,499	21.67	218,499	Note 1
	Starview Heights Investment, L.P.	-	Non-current financial assets at FVTOCI	-	31,328	21.67	31,328	Note 1
TCC	<u>Stock</u>							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at FVTOCI	6,998	93,356	5.21	93,356	
WMT	<u>Limited Partnerships</u>							
	The Last Thieves, L.P.	-	Current financial assets at FVTPL	-	-	7.14	-	Note 1
TVC	<u>Stock</u>							
	Stampede Entertainment, Inc.	-	Non-current financial assets at FVTOCI	1,333	227,840	8.45	227,840	
	91APP, Inc.	-	Non-current financial assets at FVTOCI	2,500	142,400	2.33	142,400	
TCCI	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	200,497	19,829,130	5.71	19,829,130	
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at FVTOCI	10,000	38,039	6.67	38,039	
TUI	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	410,665	40,614,796	11.69	40,614,796	
TID	<u>Stock</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	87,590	8,662,607	2.49	8,662,607	
TFNM	<u>Beneficiary Certificates</u>							
	Dragon Tiger Capital Partners Limited - Class B	-	Non-current financial assets at FVTOCI	0.2	-	0.33	-	
	Dragon Tiger Capital Partners Limited - Class C	-	Non-current financial assets at FVTOCI	0.0335	-	0.056	-	

(Continued)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 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	4,367	\$ 8,533	2.04	\$ 8,533	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at FVTOCI	3,140	70,252	7.85	70,252	

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 9 for details.

(Concluded)

## TAIWAN MOBILE CO., LTD.

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 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	LINE Bank Taiwan Limited	Non-current financial assets at FVTOCI	-	-	-	\$ 100,000 (Note 1)	50,000	\$ 400,000	-	\$ -	\$ -	\$ -	50,000	\$ 456,109
TWM	TVC	Investments accounted for using equity method	-	Subsidiary	500	4,907	160,000	1,600,000	-	-	-	-	160,500	1,587,474
TVC	AppWorks Fund III	Investments accounted for using equity method	-	Associate	-	-	33,000	330,000	-	-	-	-	33,000	315,027
TFN	THSR	Current financial assets at FVTOCI	-	-	90,212	3,464,156	-	-	90,212	2,964,345	912,463	2,051,882	-	-

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

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

## TAIWAN MOBILE CO., LTD.

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 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.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 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	\$ 216,699	-	Based on contract terms	-	-	\$ 26,173	-	Note 3 Note 3
			Purchase	4,471,069	11	Based on contract terms	-	-	(490,938)	(Note 2)	
	TPIA TKT momo	Subsidiary Subsidiary Subsidiary	Sale	164,076	-	Based on contract terms	-	-	72,389	1	
			Purchase	286,681	1	Based on contract terms	-	-	(101,081)	5	
			Sale	2,084,657	4	Based on contract terms	-	-	345,383	5	
Purchase	224,136	1	Based on contract terms	-	-	(11,656)	1				
TWM&TDS	Fubon Ins.	Other related party	Sale	235,521	-	Based on contract terms	-	-	42,996	1	
TNH	TWM	Parent	Sale	128,808	23	Based on contract terms	-	-	6,592	69	
TFN	TFNM	Fellow subsidiary	Sale	161,913	2	Based on contract terms	-	-	29,429	2	
	Fubon Life	Other related party	Sale	137,669	1	Based on contract terms	-	-	12,089	1	
TT&T	TWM	Ultimate parent	Sale	1,008,960	90	Based on contract terms	-	-	83,973	91	
	TFN	Fellow subsidiary	Sale	109,107	10	Based on contract terms	-	-	8,704	9	
TPIA	Fubon Ins.	Other related party	Sale	260,421	91	Based on contract terms	-	-	87,246	89	
TFNM	YJCTV	Subsidiary	Channel leasing fee	423,140	13	Based on contract terms	Note 1	Note 1	-	-	
	PCTV	Subsidiary	Channel leasing fee	496,391	15	Based on contract terms	Note 1	Note 1	-	-	
	UCTV	Subsidiary	Channel leasing fee	217,859	7	Based on contract terms	Note 1	Note 1	-	-	
	GCTV	Subsidiary	Channel leasing fee	188,627	6	Based on contract terms	Note 1	Note 1	-	-	
MCTV	Dai-Ka Ltd.	Other related party	Royalty for copyright	157,827	53	Based on contract terms	Note 1	Note 1	(65,761)	93	
momo	FSL	Subsidiary	Purchase	136,482	-	Based on contract terms	-	-	(40,922)	1	
	TPE	Associate	Purchase	806,680	1	Based on contract terms	-	-	(99,280)	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.



## TAIWAN MOBILE CO., LTD.

RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 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	\$ 345,383	7.85	\$ -	-	\$ 340,603	\$ -
TCC	TWM	Parent	Other receivables	347,284		-	-	1,284	-
	TFC	Subsidiary	Other receivables	341,611		-	-	-	-
WMT	TWM	Parent	Other receivables	3,075,436		-	-	3,075,436	-
	TFNM	Subsidiary	Other receivables	730,566		-	-	-	-
	WTVB	Subsidiary	Other receivables	591,291		-	-	561	-
TVC	TWM	Parent	Other receivables	600,800		-	-	-	-
TFN	TWM	Ultimate parent	Accounts receivable	499,541	10.1	-	-	442,979	-
			Other receivables	8,535,658		-	-	49,418	-
	TCC	Parent	Other receivables	341,454		-	-	-	-
TKT	TWM	Ultimate parent	Accounts receivable	101,081	3.56	-	-	33,089	-
PCTV	TFNM	Parent	Accounts receivable	5,554	5.89	-	-	3,600	-
			Other receivables	520,035		-	-	35	-
GCTV	TFNM	Parent	Accounts receivable	2,349	5.86	-	-	1,489	-
			Other receivables	250,001		-	-	1	-
momo	TFCB	Other related party	Accounts receivable	682	Note	-	-	682	-
			Other receivables	109,378		-	-	109,378	-

Note: Not applicable due to the transaction partners and the nature of transactions.

## TAIWAN MOBILE CO., LTD.

NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE  
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 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	\$ 20,412,476	\$ 3,317,359	\$ 3,317,804	Note 1
	WMT	Taiwan	Investment	16,871,894	16,871,894	42,065	100	21,386,300	2,573,146	2,573,221	Note 1
	TVC	Taiwan	Investment	1,605,000	5,000	160,500	100	1,587,474	(7,736)	(7,736)	
	TNH	Taiwan	Building and operating Songsshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,863,980	85,040	43,536	Note 1
	AppWorks	Taiwan	Venture capital, investment consulting, and management consulting	235,000	235,000	1,275	51	265,526	83,091	41,515	Note 1
	ADT	Taiwan	Technology development of mobile payment and information processing services	60,000	60,000	6,000	14.4	8,615	17,661	2,543	
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	53,939,905	3,081,592	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	103,908	50,843	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	224,218	(4,786)	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	27,126,729	4,172	-	Note 2
	TDS	Taiwan	Commissioned maintenance service	25,000	25,000	2,500	100	103,929	9,536	-	Note 2
	TPIA	Taiwan	Property insurance agent	5,000	5,000	500	100	91,554	81,554	-	Note 2
	TFC	Taiwan	Type II telecommunications business	200,000	200,000	20,000	100	185,670	(11,739)	-	Note 2
WMT	TFNM	Taiwan	Type II telecommunications business	5,210,443	5,210,443	230,921	100	6,882,042	1,749,541	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	17,077	177	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	98,367	3,747	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	292,816	29,530	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	63,047	45.01	9,671,655	1,943,304	-	Notes 2 and 4
TVC	AppWorks Fund III	Taiwan	Venture capital	330,000	-	33,000	20.11	315,027	(90,130)	-	Note 2
TFN	TUI	Taiwan	Investment	22,314,609	22,314,609	400	100	35,364,721	(74)	-	Note 2
TCCI	TID	Taiwan	Investment	3,603,149	3,603,149	104,712	100	7,548,099	(86)	-	Note 2
TFNM	TKT	Taiwan	Digital music service	156,900	156,900	14,700	100	280,296	34,975	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	1,673,511	(77,644)	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	639,160	48,770	-	Notes 2 and 5
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,466,284	166,851	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,034,154	41,036	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,283,897	57,384	-	Note 2
	kbro Media	Taiwan	Film distribution, arts and literature service, and entertainment	341,250	292,500	21,994	33.58	167,135	(58,794)	-	Note 2
TKT	M.E.	Taiwan	Livestreaming artists management service, digital media production, and media planning	27,000	27,000	460	15	25,698	4,469	-	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2020			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 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	\$ 15,638	\$ 41,036	\$ -	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	96,912	57,384	-	Note 2
momo	Asian Crown (BVI)	British Virgin Islands	Investment	885,285	885,285	9,735	81.99	31,343	(11,847)	-	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	678,698	46,691	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	7,119	(1,672)	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	7,729	(1,527)	-	Note 2
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	45,737	5,569	-	Note 2
	Bebe Poshe	Taiwan	Wholesale of cosmetics	85,000	85,000	8,500	85	41,397	(9,721)	-	Note 2
	FSL	Taiwan	Logistics and transport	250,000	-	25,000	100	246,559	(3,473)	-	Note 2
	MFS	Taiwan	Wholesaling	100,000	-	10,000	100	101,814	1,814	-	Note 2
	TPE	Taiwan	Logistics industry	295,860	337,860	14,793	15.5	386,414	206,535	-	Note 2
	TV Direct	Thailand	Wholesale and retail sales	200,820	-	191,213	24.99	192,103	48,532	-	Note 2
	TVD Shopping	Thailand	Wholesale and retail sales	Note 6	115,389	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	33,987	(11,672)	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,132,789	11,594	100	33,987	(11,672)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	678,698	46,691	-	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 December 31, 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 9 for details.

(Concluded)

**TAIWAN MOBILE CO., LTD.**  
**INVESTMENTS IN MAINLAND CHINA**  
**FOR THE YEAR ENDED DECEMBER 31, 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 December 31, 2020	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss) (Note 2)	Carrying Value as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow							
TWMC	Mobile application development and design	\$ 85,440 (USD 3,000)	b	\$ 138,752 (USD 4,872)	\$ -	\$ -	\$ 138,752 (USD 4,872)	\$ 1,373	100	\$ 1,373	\$ 80,023	-	
FGE	Wholesaling	338,829 (RMB 77,500)	b	788,994 (USD 14,000) (RMB 89,267)	-	-	788,994 (USD 14,000) (RMB 89,267)	(11,997)	76.7	(9,202)	21,354	-	
Haobo	Investment	48,092 (RMB 11,000)	b	-	-	-	-	45,921	100	45,921	650,773	-	
GHS	Wholesaling	218,599 (RMB 50,000)	b	-	-	-	-	257,834	20	44,592	606,376	-	

Company	Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 3)
TWM and subsidiaries	\$1,546,790 (US\$18,872, RMB89,267 and HK\$168,539)	\$1,546,790 (US\$18,872, RMB89,267 and HK\$168,539)	\$43,194,127

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 amounts are based on the audited financial statements.

Note 3: The upper limit on investment in mainland China is calculated by 60% of the consolidated net worth.

**TAIWAN MOBILE CO., LTD**  
**INFORMATION OF MAJOR STOCKHOLDERS**  
**DECEMBER 31, 2020**

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
TUI	410,665,284	11.69
Shin Kong Life Insurance Co., Ltd.	303,887,000	8.65
Cathay Life Insurance Co., Ltd.	211,734,900	6.03
TCCI	200,496,761	5.71
Ming Dong Co., Ltd.	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.

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**TAIWAN MOBILE CO., LTD.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

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<b>Item</b>	<b>Summary</b>	<b>Amount</b>
Cash on hand and revolving funds		<u>\$ 96,610</u>
Cash in banks		
Demand deposits		919,795
Foreign currency deposits		
	(US\$17,061 thousand, at an exchange rate of \$28.48)	485,886
	(EUR1,009 thousand, at an exchange rate of \$34.94)	35,246
Checking account deposits		<u>4,642</u>
		<u>1,445,569</u>
		<u>\$ 1,542,179</u>

**TAIWAN MOBILE CO., LTD.**

**STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE, NET**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Others (Note)	\$ 6,122,302
Less: Allowance for impairment loss	<u>(287,106)</u>
	<u>\$ 5,835,196</u>

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



## TAIWAN MOBILE CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars)

	Beginning Balance		Increase in Investment		Decrease in Investment (Note 1)		Adjustments of Investments Accounted for Using Equity Method (Note 2)	Ending Balance			Market Value or Net Assets Value
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount		Shares (In Thousands)	Percentage of Ownership %	Amount	
TCC	520,970	\$ 20,765,900	-	\$ -	-	\$ (3,179,056)	\$ 2,825,632	520,970	100.0	\$ 20,412,476	\$ 82,325,825
WMT	42,065	20,739,363	-	-	-	(1,927,167)	2,574,104	42,065	100.0	21,386,300	21,386,232
TVC	500	4,907	160,000	1,600,000	-	-	(17,433)	160,500	100.0	1,587,474	1,587,474
TNH	191,866	1,820,444	-	-	-	-	43,536	191,866	49.9	1,863,980	1,859,985
AppsWork	1,275	226,123	-	-	-	-	(39,403)	1,275	51.0	265,526	28,723
ADT	6,000	6,072	-	-	-	-	2,543	6,000	14.4	8,615	8,615
		<u>\$ 43,562,809</u>		<u>\$ 1,600,000</u>		<u>\$ (5,106,223)</u>	<u>\$ 5,467,785</u>			<u>\$ 45,524,371</u>	

Note 1: The decrease in investments resulted from receiving dividends of investees.

Note 2: The adjustments of investments accounted for using equity method include the share of the profit or loss and other comprehensive income of subsidiaries and associates, changes in equity of subsidiaries and associates accounted for using equity method and unrealized gain or loss on upstream and downstream intercompany transactions.

Note 3: None of the investments accounted for using equity method was provided as collateral.

## TAIWAN MOBILE CO., LTD.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

	Land	Buildings	Telecommuni- cations Equipment	Others	Total
<u>Cost</u>					
Balance, January 1, 2020	\$ 767,135	\$ 9,978,164	\$ 501,643	\$ 160,138	\$ 11,407,080
Additions	211,035	2,685,659	21,900	13,141	2,931,735
Remeasurement of lease liabilities	709	(14,776)	1,351	(12)	(12,728)
Deductions	(81,143)	(1,168,779)	(21,497)	(4,015)	(1,275,434)
Others	99	(2,771)	-	-	(2,672)
Balance, December 31, 2020	<u>\$ 897,835</u>	<u>\$ 11,477,497</u>	<u>\$ 503,397</u>	<u>\$ 169,252</u>	<u>\$ 13,047,981</u>
<u>Accumulated depreciation</u>					
Balance, January 1, 2020	\$ 211,960	\$ 2,815,833	\$ 81,280	\$ 19,616	\$ 3,128,689
Depreciation	233,664	3,062,098	83,658	40,582	3,420,002
Deductions	(67,534)	(946,013)	(5,065)	(3,216)	(1,021,828)
Others	1,112	3,134	-	-	4,246
Balance, December 31, 2020	<u>\$ 379,202</u>	<u>\$ 4,935,052</u>	<u>\$ 159,873</u>	<u>\$ 56,982</u>	<u>\$ 5,531,109</u>
Carrying amount, December 31, 2020	<u>\$ 518,633</u>	<u>\$ 6,542,445</u>	<u>\$ 343,524</u>	<u>\$ 112,270</u>	<u>\$ 7,516,872</u>

## TAIWAN MOBILE CO., LTD.

STATEMENT OF SHORT-TERM BORROWINGS  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Loan Type	Amount	Contract Period	Interest Rates	Loan Commitments	Collateral
Unsecured - bank	<u>\$ 9,800,000</u>	2020.12.9-2021.1.29	0.64%-0.88%	<u>\$ 61,348,000</u>	None
Unsecured - related parties					
TFN	8,453,000	2020.7.28-2021.7.27		11,000,000	None
WMT	3,071,000	2020.4.30-2021.4.29	0.86867%-0.87033%	3,800,000	None
TCC	346,000	2020.7.28-2021.7.27		400,000	None
TVC	<u>600,000</u>	2020.11.6-2021.11.5		<u>600,000</u>	None
	<u>12,470,000</u>			<u>15,800,000</u>	
	<u>\$ 22,270,000</u>			<u>\$ 77,148,000</u>	

## TAIWAN MOBILE CO., LTD.

## STATEMENT OF SHORT-TERM NOTES AND BILLS PAYABLE

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Institution Providing Guarantee or Acceptance	Contract Period	Interest Rates	Issuing Amount	Discount on Short-term Notes and Bills Payable	Net Carrying Value
Commercial papers payable	China Bills Finance Corporation	2020.10.30-2021.2.26	0.328%-0.418%	\$ 8,500,000	\$ 2,963	\$ 8,497,037
	Yuanta Commercial Bank	2020.10.30-2021.1.29	0.338%-0.418%	2,600,000	735	2,599,265
	Union Bank of Taiwan	2020.10.30-2021.1.29	0.408%	1,500,000	470	1,499,530
	Taishin International Bank	2020.11.30-2021.1.29	0.333%-0.358%	1,300,000	351	1,299,649
	Mega Bill Finance Corporation	2020.10.30-2021.1.29	0.418%	<u>300,000</u>	<u>96</u>	<u>299,904</u>
				<u>\$ 14,200,000</u>	<u>\$ 4,615</u>	<u>\$ 14,195,385</u>

**TAIWAN MOBILE CO., LTD.**

**STATEMENT OF ACCOUNTS PAYABLE**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Company A	\$ 1,127,198
Company B	105,938
Company C	103,200
Others (Note)	<u>485,836</u>
	<u>\$ 1,822,172</u>

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

**TAIWAN MOBILE CO., LTD.****STATEMENT OF OTHER PAYABLES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Equipment and construction	\$ 3,569,956
Salaries and pension	1,129,635
Repair and maintenance expense	625,139
Estimated loss from lawsuits	765,779
Rents and utilities expense	648,734
Commissions	429,165
Others (Note)	<u>1,516,299</u>
	<u>\$ 8,684,707</u>

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

## TAIWAN MOBILE CO., LTD.

STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

Institution Providing Guarantee or Acceptance	Amount	Contract Period	Interest Rates	Collateral
Unsecured - bank				
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	\$ 2,000,000	2018.7.30-2021.7.30	0.79%	None
Less: Current portion	<u>(2,000,000)</u>			
	<u>-</u>			
Commercial papers payable				
China Bills Finance Corporation	2,998,806	2020.12.24-2023.12.25	0.687%-0.697%	None
Yuanta Commercial Bank	1,999,208	2020.12.31-2023.12.31	0.688%	None
Mega Bill Finance Corporation	<u>1,499,406</u>	2020.12.25-2023.12.25	0.688%	None
	<u>6,497,420</u>			
	<u>\$ 6,497,420</u>			

**TAIWAN MOBILE CO., LTD.****STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Item (Target)</b>	<b>Lease Terms</b>	<b>Discount Rates</b>	<b>Amount</b>
Land	1-19 years	0.74%-1%	\$ 517,082
Buildings	1-14 years	0.72%-1%	6,544,532
Telecommunications equipment	6 years	0.82%-1%	357,695
Others	2-5 years	0.74%-0.86%	<u>112,904</u>
			<u>\$ 7,532,213</u>



**TAIWAN MOBILE CO., LTD.**

**STATEMENT OF OPERATING REVENUES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Telecommunications and value-added services revenue (Note 1)	\$ 39,099,138
Sales revenue	15,997,270
Interconnecting revenue (Note 2)	1,617,022
Other operating revenues (Note 3)	<u>176,774</u>
	<u>\$ 56,890,204</u>

Note 1: The amount includes service revenues, etc.

Note 2: The amount includes revenues from the use of TWM's networks and IDD delivery by other telecommunication operators.

Note 3: The amount of each item was less than 5% of the total account balance.

**TAIWAN MOBILE CO., LTD.**

**STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Cost of goods sold	\$ 17,133,068
Depreciation	7,422,548
Interconnecting cost (Note 1)	6,163,331
Government fees (Note 2)	3,925,434
Others (Note 3)	<u>4,584,875</u>
	<u>\$ 39,229,256</u>

Note 1: The amount includes dedicated line and interconnecting charges paid to other telecommunication service providers.

Note 2: The amount includes the NCC's frequency usage fees, number selections fees, amortization of concession fees, etc.

Note 3: The amount of each item was less than 5% of the total account balance.

**TAIWAN MOBILE CO., LTD.****STATEMENT OF MARKETING AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Marketing</b>	<b>Administrative</b>	<b>Total</b>
Salaries and pension	\$ 1,501,058	\$ 1,096,107	\$ 2,597,165
Amortization	1,636,283	295,573	1,931,856
Professional service fees	1,395,577	222,148	1,617,725
Depreciation	606,546	245,649	852,195
Commissions and mobile phone subsidies	845,054	-	845,054
Service charges	174,112	346,114	520,226
Others (Note)	<u>993,341</u>	<u>721,718</u>	<u>1,715,059</u>
	<u>\$ 7,151,971</u>	<u>\$ 2,927,309</u>	<u>\$ 10,079,280</u>

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