



Taiwan Mobile

2021 Annual Report

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Listing of Foreign Securities	None	

Disclaimer

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

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

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Letter to shareholders

Dear Shareholders,

Looking back on 2021, Taiwan Mobile (“TWM”, or “the Company”) demonstrated its corporate resilience and flexibility, as it implemented its work-from-home plan immediately after the first local outbreak of COVID-19 and provided various virtual solutions for enterprises and society. On the last day of the year, TWM announced the signing of a merger agreement with T-Star. Once approved by the regulators, we will be able to better utilize our 5G spectrum and mobile network infrastructure, taking us a big step toward achieving our sustainability goals.

As new business models emerge from the new normal, we have striven to explore use cases in 5G, AI, IoT and other applications. We accelerated our transformation into a next generation internet technology company, providing comprehensive solutions that integrated mobile and fixed line, implementing 5G technology, and enriching our digital and content services, to create countless possibilities for a future where the virtual world is integrated with reality. As always, we apply the highest standards in corporate governance, shareholder value and customer satisfaction, and regard sustainability as a corporate social responsibility.

2021 operating and financial results

In 2021, TWM reported consolidated revenue of NT\$156.1 billion, EBITDA of NT\$33.1 billion, net profit of NT\$11.0 billion and earnings per share of NT\$3.90. Despite the increases in 5G spectrum amortization and depreciation expenses in the second year of its 5G launch, TWM’s third-quarter profit grew annually, while full-year earnings exceeded its 2021 guidance. This was the result of 5G-driven revenue growth, a healthier competition landscape and government subsidies.

New business roadmap and group resources integration

TWM’s merger agreement with T-Star is a critical step in expanding our mobile business scale and driving earnings growth. Our investments in digital content also bore fruit in the past year, as we won several awards at the Golden Bell Awards. In terms of service offerings, we continued to promote Double Play packages, which include 5G unlimited mobile data and high-speed fixed broadband. In addition to various telecom bundles, including Disney+ and online gaming, we partnered with Taiwan’s largest e-commerce player momo to offer momo coins in our momobile packages, providing customers the convenience of one-stop shopping and better pricing.

Innovative applications and research results

2021 marked the second year of the 5G era. TWM adopted a front-loaded roll-out strategy and joined forces with Mediatek and Nokia to complete the country’s first 5G SA carrier aggregation test combining 700MHz and 3.5GHz frequency bands. This is expected to significantly improve 5G indoor coverage and bring us closer to “True 5G” network services. On the other hand, to reduce transmission loss in urban areas and improve 5G network quality and efficiency, we continued to use deep learning to develop network slicing resource management and simulated transmissions between base stations and receivers. We also introduced various use cases in the areas of media and smart homes, such as multi-angle live sports streaming, Google Nest’s media access and call functions, and “zero contact” insurance sales via M+’s proprietary two-way communication technology. To address data leakage concerns, we developed a secure communication platform with complete two-way voice and text communication using virtual numbers.

World-class corporate governance

Taiwan Mobile has striven to be a role model in corporate sustainability, with the Company once again receiving numerous commendations for its efforts in the past year. Recognized by the Carbon Disclosure

Project, we made the climate change “A” list for three years in a row, the only company in the telecommunications industry. We were also made a constituent of the FTSE4Good TIP Taiwan ESG Index for the fourth consecutive year. Additionally, the Company was included in the Dow Jones Sustainability Indices (DJSI) Emerging Markets Index for the 10th consecutive year and in the DJSI World Index for the 5th time, once again grabbing the No. 1 spot in the global telecommunications industry. For seven years in a row, we have been among the top 5 percent listed companies commended for good enterprise governance. Lastly, TWM was awarded a Gold Class award for the first time in S&P Global’ ESG’s “The Sustainability Yearbook 2021,” making us the world’s best telecom service provider in terms of sustainability accomplishments.

Valuing shareholders' interests and customer satisfaction

TWM’s total mobile subscribers would reach 9.8mn after the proposed merger with T-Star is completed, resulting in the highest per-user 3.5GHz spectrum in the industry as we achieve greater scale. The synergies should propel profit growth, generate stable free cash flow and better financial flexibility, and improve shareholder returns and customer satisfaction.

Corporate social responsibility

As a national telecom industry leader, it is our duty not only to pursue a solid operational and financial performance, but also to take into account social inclusion, environmental awareness and sustainability. In 2021, TWM participated in the first-ever GeSi “Digital With Purpose” movement, and aims to achieve 100% green energy in our cloud IDC by 2030, and RE100 by 2040. Our efforts were recognized by different organizations in Taiwan, as we earned the Best Telecommunications Company title in *Global Views Monthly’s* CSR Awards for the third time, and our 14th Excellence in Corporate Social Responsibility Award from *CommonWealth Magazine*, where we ranked first in the telecom industry for the sixth consecutive year. The Company earned further distinctions – eight awards at the 2021 Taiwan Corporate Sustainability Awards (TCSA) and “The Most Prestigious Sustainability Awards – Top 10 Domestic Companies” for the 7th time, scoring the highest among awardees of the "Growth Through Innovation Leadership Award" under the Service and Information Communication Industry segment.

Outlook

The pandemic accelerated the shift to a virtual lifestyle, as evidenced by the rapid development of 5G technology, advancements in telemedicine and the boom in online learning, digital media and remote working. Telecom service providers expect to play an even more important role going forward, as the maturation of 5G applications, such as IoT, wearables and metaverse, should stimulate demand for high-speed and low-latency networks. Vast network construction relies on economies of scale and, with the Company’s proposed merger with Taiwan Star, we will gain the upper hand in 5G spectrum efficiency while making a positive influence on environmental sustainability.

TWM has not slowed down its enterprise transformation either. Underpinned by a strong business foundation combining telecom and e-commerce, we will continue to invest in related start-ups to integrate innovation into everyday life in order to seize market opportunities and develop new growth prospects. At the same time, we will continue our efforts to promote energy savings and carbon reduction, and enhance all aspects of stakeholder value.

Daniel M. Tsai
Chairman

Chapter 1 Company Highlights

I. Vision

Taiwan Mobile has reinvented itself in the 5G era as a technology-driven telecommunications company founded on an “Open Possible” brand spirit committed to making anything possible. Through the concerted efforts of all of our partners on 5G, we hope to meet and even transcend people’s expectations for future technologies and create infinite possibilities for shareholders, employees and the general public, as we embrace the coming Web3 and metaverse era.

Taiwan Mobile has aggressively invested in 5G infrastructure to achieve this 5G era vision. We have also pushed for a more effective integration of Taiwan’s 5G spectrum, making the deployment of base infrastructure for mobile communications more efficient, and moving toward a low-carbon, sustainable future, while creating a new order within the industry. With that in mind, we initiated a merger with Taiwan Star Telecom Co., Ltd. (T Star) and clinched the deal at the end of 2021 – a major milestone in Taiwan’s 5G development. The merged company will generate benefits that exceed the sum of its parts for the companies’ users and stakeholders and Taiwan itself.

Taiwan Mobile has been a pioneer on sustainability and ESG. As a key player in the ICT sector’s infrastructure, we have championed sustainable values, acted in an environmentally responsible way, and leveraged our core competencies to inject new value into environmental sustainability. In 2021, we announced that we would join RE100 and pledged to rely solely on renewable energy by 2040, as we pursue the goal of net zero emissions and join with our eight major stakeholders in creating a better tomorrow.

II. Core Competitiveness

- **Developing 5G, building technology competitive advantages**

In early 2021, Taiwan Mobile was the first in the industry to receive certification from the National Communications Commission (NCC) for 5G services covering more than 50% of the population. In the middle of the year, we partnered with MediaTek and Nokia in conducting a successful 5G new radio carrier aggregation (NR CA) connection test in a 5G standalone (SA) network environment. It was the first in the world to integrate the 700MHz (n28) and 3500MHz (n78) frequencies. At the end of 2021, we signed a merger agreement with T Star to create a “5G Team Taiwan” that will emerge with a 100MHz block of the 3.5 GHz band, giving us the most medium-frequency bandwidth in the industry.

- **Adding innovative technology applications, video entertainment services**

Taiwan Mobile continuously rolls out consumer-oriented, value-added applications and maximizes the convergence of its “T.I.M.E.” (telecom, internet, media & entertainment, and e-commerce) services to satisfy user needs, in the process redefining technology for future living.

We have capitalized on these 5G advantages by constantly adding to the many popular service experiences found on our telecom platform. In 2021, we became the exclusive telecom partner in Taiwan for global video streaming platform Disney+, due in part to the strength of our telecom and broadband services. myVideo upped its investment in high-quality local

content, which earned 27 Golden Bell Award nominations and captured 10 awards, emerging as a big winner among OTT platforms. Our partnership with Google was strengthened by jointly launching “Google Carrier Calling” services, establishing Taiwan Mobile as Asia’s first telecom company offering calls through smart speakers. In another milestone, we entered the gaming market by partnering with Nvidia to create the GeForce Now cloud gaming platform, becoming the representative for Riot Games’ e-sports games, and driving the development of new technologies.

Another key initiative involved integrating the company’s AI and IoT technologies with 5G, Wi-Fi 6, and NB-IoT initiatives to build a telecommunications foundation for a smart city and smart manufacturing ecosystem. More than 200 partners have joined this 5G ecosystem, including Formosa Plastics Group, which has worked with Taiwan Mobile on Taiwan’s first 5G smart autonomous vehicle. The resulting autonomous bus has been used at the group’s Chang Gung Health Culture Village to shuttle more than 1,500 people around the complex, providing a glimpse into next-gen smart transportation. In addition, Taiwan Mobile’s 5G enterprise private network has recruited nearly 40 corporate users in the manufacturing, medical, retail, logistics, Internet of Vehicles and other fields. In October 2021, the Company received official certification for its 5G SA technology, which will unlock 5G’s low-latency potential and enable enterprises to create and upgrade 5G vertical applications.

- **‘Super 5G Strategy’ showing resilience, adaptability during pandemic**

Taiwan Mobile’s Super 5G Strategy (Gift, Group, Grit, Green, GSEA) has created a second stage of growth momentum both through tie-ins with top domestic and international brands and a variety of innovative exclusive sales promotions. The promotions, such as the 5G “Double Play” and “momobile” plans and a package offering free flagship phones with 48-month contracts, were available to over 7 million users through more than 700 full-service outlets and begin delivering results in 2021. It was the first year since 2017 that EBITDA for Taiwan Mobile’s telecommunications business grew from the previous year, helped in part by 5G user numbers and penetration rates that exceeded expectations.

When the COVID-19 outbreak worsened in Taiwan in mid-2021, Taiwan Mobile was there to help. We not only provided high-quality internet services to meet users’ work-from-home needs, but also launched an emergency campaign to help students in less affluent or underserved areas continue to learn while in-person classes were suspended. We donated 2,257 tablet computers and gave around 45,000 users free access to the internet through the initiative, estimated to be worth about NT\$185 million. Our technology also assisted enterprise clients in meeting pandemic challenges. Demand rose considerably for Taiwan Mobile CPaaS services, such as Cloud PBX and M+ Enterprise Instant Messenger, and solutions targeted at specific industries, such as an exclusive M+ messenger software plan with 180 days free access and an M+ platform for medical communications, generating strong growth.

Taiwan Mobile’s e-commerce business also thrived during the pandemic with the help of group resources. Group affiliates supported momo.com with the development of smart logistics and smart warehousing systems, and its “momobile” promotion added to the synergies, pushing revenue to a record high. In addition, beyond its domestic investment in 91APP in 2021, Taiwan Mobile entered the Southeast Asian market by investing in Vietnam-based Tiki Global, taking another step toward its goal of building a GSEA internet company.

In the ESG realm, Taiwan Mobile continued to shine on the international stage. It was selected to the DJSI World Index for a fifth consecutive year in 2021 and once again ranked first among telecom companies, while receiving “Leadership Level” recognition from the CDP for its carbon performance. The company also continued to promote its Zetta Connected 2030 vision and carve out initiatives addressing the United Nations’ 17 sustainable development goals.

III. Brand Values

Open Possible! Guided by the conviction that the future depends on our boundless imagination, Taiwan Mobile has embraced a new brand spirit to galvanize its transformation into a super 5G technology-driven telecommunications company. We are continuously improving the user experience for individual, family and enterprise users, and have created seven brand values – “ethical operations,” “sustainable partners,” “excellent brand,” “innovative accomplishments,” “environmental sustainability,” “happy workplace” and “social inclusion” – that spread our positive influence as we join with our eight major stakeholders in forging a better future.

Date of Incorporation

The Company was founded on February 25, 1997.

Significant Events

Status of mergers and acquisitions and affiliated companies

Refer to page 88 “Shares issued for mergers and acquisitions”.

Refer to page 128 “Affiliates”.

Changes in shareholdings of directors and major shareholders

Refer to page 76 “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 2021 up to the publication date in 2022

February	2022	Certificated by SGS Qualicert for 10 consecutive years
February	2022	Honored with a "Silver Award" in S&P Global's "The Sustainability Yearbook 2022"
December	2021	Won eight Outstanding Store Manager Awards and one Outstanding Store Manager Award at the Taiwan Chain Stores and Franchise Association's Excellent Store Manager and Outstanding Store Manager Awards
December	2021	Selected again to the CDP "Leadership Level"; was the only telecom company in the 2021 survey to earn the honor
November	2021	Honored as a Taiwan Corporate Sustainability Awards "Top 10 model enterprise" for the seventh time; garnered six TCSA awards for "Transparency and Integrity Leadership," "Creative Communication Leadership," "Climate Leadership," "Supply Chain Leadership," "Growth through Innovation Leadership," and "Social Inclusion Leadership," and a "CSR Report Platinum Award."
November	2021	Received ISO 27701 privacy information management system certification
November	2021	Selected again to the DJSI World Index, and was the highest ranked telecom company
November	2021	Received a Sponsorship Award Gold Class and a Long-term Sponsorship Award in the Sports Administration's Sports Activist Awards for a fifth consecutive year
October	2021	Garnered a Best Service in Taiwan – Telecommunications Sector Silver Award for the third time
October	2021	Two productions invested in by Taiwan Mobile's myVideo – "The Magician on the Skywalk" and "Workers" – captured 10 major awards at the 56th Golden Bell Awards.
September	2021	Taiwan Mobile President Jamie Lin received a 2021 Smart City Outstanding Contribution Award.
September	2021	Ranked fourth among large companies in CommonWealth Magazine's Corporate Citizen Awards and led the telecom sector for a sixth time
July	2021	Taiwan Mobile was ranked among Top 10 of the 1st Greater China Business Sustainability Index (GCBSI), earned the best telco title in the Greater China Region.
May	2021	Honored the First Prize Award of the 2021 "ESG Comprehensive performance – Telecom Industry" and Model Award of "Outstanding Solutions – Education promotion " from The 17th CSR Award organized by Global Views Magazine.
April	2021	Ranked among the top 5% of listed companies in the "Corporate Governance Evaluation" for the 7 years in a row by the Taiwan Stock Exchange and Taipei Exchange.
February	2021	Honored with a "Gold Award" in S&P Global's "The Sustainability Yearbook 2021", ranking first in the global telecommunications market.

Milestones

December	2021	Signed an official merger agreement with Taiwan Star Telecom Co., Ltd. (T Star) through share swap by issuing 282 million TWM shares to form a new 5G "Team Taiwan," setting a new milestone in Taiwan's 5G telecom development.
December	2021	Hosted its 3rd Circular Economy Forum and presented a report on "Recycling of ICT Sector Waste and Smart Devices," which covered the results of past initiatives and plans for innovation in the future.
November	2021	Announced it was teaming up with Kbro to bring the GeForce NOW Cloud Gaming Service to homes through the digital cable AI Box open platform.
October	2021	Obtained official 5G SA technology certification.
October	2021	Became the exclusive telecom distributor of Disney+ in Taiwan.
September	2021	Announced it was joining RE100 and pledged to rely solely on renewable energy by 2040.
September	2021	Partnered with Taipei Fubon Bank on a co-branded "Taiwan Mobile Open Possible" telecom card.
August	2021	Teamed up with MediaTek and Nokia to conduct Taiwan's first successful NR CA connection test in a 5G SA network environment; was the first company to aggregate the 700MHz (n28) and 3500MHz (n78) frequencies.
August	2021	Ventured into the Southeast Asian market by investing in Vietnamese e-commerce company TIKI.
July	2021	Led the industry in responding to the Global Enabling Sustainability Initiative's Digital with Purpose movement.
April	2021	Received NCC certification that its 5G service has reached more than 50% of the country's population.
December	2020	Jointly launched with Riot Games the 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 results with the premiere of the original music video "The Bookstore After 10pm."
August	2020	Teamed up with Nvidia to launch the GeForce Now cloud gaming platform in Taiwan.
August	2020	Joined forces with Formosa Plastics Transport 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 offering the 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	Built a 5G super league with nearly 100 high-tech business operators, making it the largest smart ecosystem 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 president, effective April 1.
June	2018	Formed a National AI "A Team" with Asustek Computer and Quanta Computer.
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, thus officially beginning its IoT era.
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, 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.
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.

April	2014	Granted 4G license to launch on the 700MHz band
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.

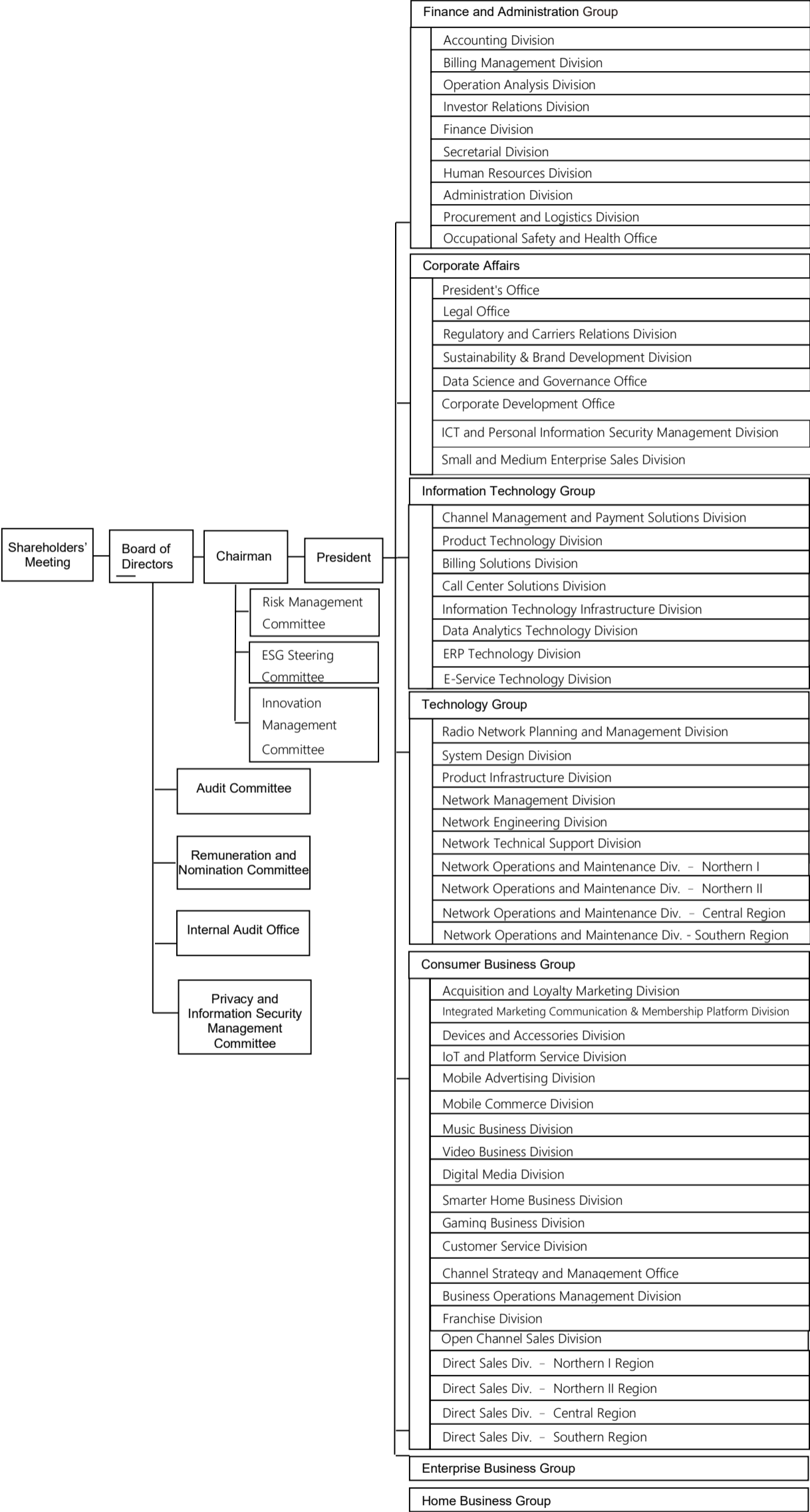
May	2005	First in Taiwan to launch 3G (WCDMA) services.
November	2004	Joined the Bridge Mobile Alliance, the largest mobile alliance in Asia.
August	2004	Acquired a 67% stake in Mobitai, increasing its subscriber base to 8.2 million. TWM acquired full ownership of Mobitai in January 2006 and merged it 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 23, 2022



Divisional Scope of Responsibilities

Division		Scope of responsibilities
Internal Audit Office		<p>Conduct internal audit of the Company and its subsidiaries</p> <p>Handle employees' and suppliers' complaints</p> <p>Coordinate the operation of the Risk Management Committee</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, 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</p> <p>Lead financial and strategic investments, as well as post-deal integration</p>
	ICT and Personal Information Security Management Division	<p>ICT security and personal data and privacy protection</p> <p>Implementation of Cyber Security Management Act</p> <p>Operation 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 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>

Division		Scope of responsibilities
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
	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 solutions 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), Disney+, DCB portal and member center Cloud gaming and e-sports social media platform, IoT service platform, cloud services platform and fixed-network systems Large-scale IT project management, IT governance, enterprise architecture, development process and software/tools management
Technology Group	Radio Network Planning and Management Division	Radio network strategy development and planning Site planning and performance management Radio network quality management
	System Design Division	Plan and design core, IP and transmission network systems for mobile and fixed networks Verification 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 quality issues Network security maintenance 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 and 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 to provide users with online services and operate membership platforms
	Devices and Accessories Division	Devices planning and management Accessories and revenue sources development Handset sales and distribution
	IoT and Platform Service Division	Enlarge mySports and myAngel services to tap into the opportunities in IoT health
	Mobile Advertising Division	Provide mobile advertising solutions based on big data analysis
	Mobile Commerce Division	Operate and manage postpaid and prepaid mobile online services, and integrate myfone shopping to offer customers more diverse choices Develop and manage mobile commerce for myfone online shopping, with a focus on 3C and Smarter Home merchandise myfone online shopping business development, strategic planning and operations
	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 Division	Oversee Smarter Home strategy, business development and operation
	Gaming Business Division	Game publishing, e-sports 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 risks 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, or more than half 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 23, 2022

Title	Nationality	Name	Gender Age	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 61~70	2020. 06.18	2023. 06.17	1999. 06.22 *1999. 06.22	5,748,763	0.164	5,748,763 *95,162,715	0.163 *2.704	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. Chairman, Taipei New Horizon Co., Ltd. Chairman, Taiwan Cellular Co., Ltd. Chairman, Wealth Media Technology Co., Ltd. Chairman, Taiwan Fixed Network Co., Ltd. Chairman, TWM Venture 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. Supervisor, Tai Yu Industrial Corporation Limited Director, Lucky Way Limited Director, Rainbow Cheer Limited Director, Key Gain Limited Director, Ultimate Epoch Limited Director, Orientland International Limited Director, DRJ Development Limited Director, Globotex International Limited Director, Cosgrove Global Limited Director, Vantage Horizon Global Limited Director, Star Top Ventures Co., Limited Director, Primerose Development Group Limited Director, Giver Concept Limited Ltd. Director, Fame Dynasty Enterprises Limited Director, ABG-WTT Global Life Science Capital Partners GP Limited	Director	Richard M. Tsai	Brother	—

Title	Nationality	Name	Gender Age	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 61~70	2020. 06.18	2023. 06.17	1999. 06.22 *1999. 06.22	5,748,763	0.164	5,748,763 *93,310,663	0.163 *2.651	5,086,496	0.145	-	-	Honorary Doctorate of Medicine, Taipei Medical University Honorary Doctorate of Business Administration, Fu Jen Catholic University 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, TWM Venture Co., 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, Carnegie Hall Corporation Director, Lucky Way Limited Director, Rainbow Cheer Limited Director, Key Gain Limited Director, Ultimate Epoch Limited Director, Orientland International Limited Director, Oceana Glory Limited Director, Eagle Legacy Limited Director, DRJ Development Limited Director, Globotex International Limited Director, Cosgrove Global Limited Director, Vantage Horizon Global Limited Director, Total Formation Inc. Director, Star Top Ventures Co., Ltd. Director, Castle Lion Investments Limited Director, Fame Dynasty Enterprises Limited Director, ABG-WTT Global Life Science Capital Partners GP Limited	Chairman Director	Daniel M. Tsai Chris Tsai	Brother Son	—

Title	Nationality	Name	Gender Age	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 31~40	2020. 06.18	2023. 06.17	1999. 06.22 *2019. 05.01	5,748,763	0.164	5,748,763 *3,130,427	0.163 *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. Special Assistant of President, Fubon Life Insurance Co., Ltd. President, Fubon Sports & Entertainment Co., Ltd. Coordinator of Innovation and Technology Office, Fubon Financial Holding Co., Ltd.	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, Taiwan Professional Basketball Development Co., Ltd. Vice Chairman, Shenzhen Tengfu Investment Co., Ltd. Director, Immanuel Investment Ltd. Director, Xinyao Biofund Inc. Director, Diamond Biofund Inc. Director, Eternal Hope Limited. Director, One Hope Limited. Director, Jing Ying Investment Co., Ltd. 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 2)	Male 41~50	2020. 06.18	2023. 06.17	2009. 09.19 *2018. 06.12	200,496,761	5.713	200,496,761 *163,000	5.697 *0.005	-	-	-	-	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, VIV3 Inc. Chairman, AppWorks School Co., 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 Age	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. Chairman, TWM Film Co., Ltd.				
Independent Director	R.O.C	Hsueh-Jen Sung	Male 61~70	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, Song Quan Company Limited Chairman, Vaucluse Capital Management Ltd.	—	—	—	—
Independent Director	R.O.C	Char-Dir Chung	Male 51~60	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	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 Age	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	
															Technology Advisory Group, Executive Yuan Convener, Performance Evaluation Committee of Technology Development Program, Ministry of Economic Affairs IEEE Fellow SIS Chair Professor, National Taiwan University 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 51~60	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 51~60	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	Member of Audit Committee and Remuneration and Nomination Committee, Taiwan Mobile Co., Ltd. Executive Director, SEAX Global Pte Ltd. (Singapore)	—	—	—	—

Title	Nationality	Name	Gender Age	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 61~70	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	Member of Audit Committee and Remuneration and Nomination Committee, Taiwan Mobile Co., Ltd. Director, Christian Action Asia Inc. Independent Director, Zhejiang Leapmotor Technology Co. Ltd.	—	—	—	—

* Date when the individual representative was first elected, his/her personal shareholdings, and percentage of personal shareholdings

Note 1: Shareholding percentage was calculated based on outstanding shares of 3,519,233,603 as of February 23, 2022. Zero shareholdings are denoted as “—”.

Note 2: Jamie Lin was as an independent director from June 12, 2018 to February 11, 2019.

Major shareholders of TWM's institutional investors

As of February 23, 2022

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%)

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

As of February 23, 2022

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

2. Qualifications and independence criteria of directors

As of February 23, 2022

Name	CV (Qualifications and Experience)	Independence analysis (note)	No. of public companies in which he or she also serves as an independent director
Daniel M. Tsai	Mr. Daniel M. Tsai, who possesses extensive experience in the fields of law, finance, fintech and business management, is the chairman of Fubon Group and Taiwan Mobile (TWM). Mr. Tsai is spearheading TWM's transition from a telecom company to a next-gen technology company. TWM has adopted a Super 5G strategy, creating synergies with cable TV giant, Kbro, leading e-commerce retailer momo, and start-up accelerator AppWorks, and developing a long-term Super 5G ecosystem and environmental sustainability to gain a foothold in Southeast Asia. Fubon Group's business scope includes financial services, property, media, cable TV, e-commerce, cultural and creative industries, and charity. It includes three listed companies – Fubon Financial, TWM and momo – all of which are leaders in their respective industries. Mr. Tsai was recognized as an Outstanding Corporate Sustainability Professional at the Taiwan Corporate Sustainability Awards in 2017 and ranked 13th in Harvard Business Review's Taiwan's top 100 best-performing CEOs in 2020. Mr. Tsai has a bachelor's degree in law from National Taiwan University and a master's degree in law from Georgetown University. He has been a member of the University of Southern California's Board of Trustees since April 2012, a member of the Centre for Asian Philanthropy and Society's Board of Governors since 2014 and chairman of the Asia Business Council's Board of Trustees since March 2021.	1. Meets independence criteria Nos. 1, 6, 8, 9 and 11 (see note). 2. Serves as a juristic person representative of corporate shareholder Fu Chi Investment Co., Ltd., as well as chairman ordirector of the Company's subsidiaries.	0

Name	CV (Qualifications and Experience)	Independence analysis (note)	No. of public companies in which he or she also serves as an independent director
Richard M. Tsai	<p>Mr. Richard M. Tsai, a veteran in the fields of finance, fintech and operation management, is the chairman of Fubon Financial Holding. During his tenure as TWM's chairman, he led the Company's rise as a leader in digital convergence. Mr. Tsai was a recipient of the Asia Innovator Award at the 10th Asia Business Leaders Awards in 2011 – the only Taiwanese entrepreneur honored that year. He was also named on <i>Harvard Business Review's</i> Taiwan's top 100 best-performing CEOs in 2016, and for four consecutive years (from 2017 to 2021) received an Asian Corporate Director Recognition Award at the Asian ESG Awards. Mr. Tsai has a bachelor's degree in business administration from National Taiwan University and an MBA from New York University's Stern School of Business. He is also a recipient of an honorary doctorate in business from Fu Jen Catholic University and an honorary doctorate in medicine from Taipei Medical University. Mr. Tsai is a chair professor at National Taiwan University and National Yang-Ming University. He is also a member of the International Advisory Board of the New York Philharmonic, a director at Carnegie Hall Corp, an executive director at China Finance 40 Forum, and a member of New York University's President's Global Council, as well as the executive board of the university's Stern School of Business.</p>	<p>1. Meets independence criteria Nos. 1, 6, 8, 9 and 11 (see note). 2. Serves as a juristic person representative of corporate shareholder Fu Chi Investment Co., Ltd., as well as director of the Company's subsidiaries.</p>	0
Chris Tsai	<p>Mr. Chris Tsai, who has profound experience in finance, fintech and business management, graduated from The Wharton School of the University of Pennsylvania. He was a securities researcher at JPMorgan Chase in New York and holds a chartered financial analyst (CFA) license. After returning to Taiwan at the end of 2013, he joined Fubon Life Insurance Co., Ltd. and successively served as the chief investment officer, vice chairman and executive assistant to the president. At the same time, he took on the responsibility of developing Fubon's sports and new businesses. In 2014, he served as the president of Fubon Sports and Entertainment Co., Ltd., managing the Fubon Braves basketball team and the Fubon Guardians baseball team, bringing the concept of sports science into the teams, and leading Fubon Braves in winning its first championship in 2019.</p>	<p>1. Meets independence criteria Nos. 1, 3, 5, 6, 8, 9 and 11 (see note). 2. Serves as a juristic person representative of corporate shareholder Fu Chi Investment Co., Ltd., as well as director of the Company's subsidiaries.</p>	0

Name	CV (Qualifications and Experience)	Independence analysis (note)	No. of public companies in which he or she also serves as an independent director
Jamie Lin	<p>Mr. Jamie Lin, who possesses extensive experience in finance, e-commerce technology, investment, mergers and acquisitions, and business management, is the president of TWM, as well as the chairman and a partner at AppWorks, which he founded in 2009. AppWorks, the largest start-up accelerator and one of the most active venture capital institutions in Southeast Asia, formed a strategic alliance with TWM in January 2019. As an entrepreneur, Mr. Lin was also the founder of e-commerce start-up Hotcool, AI enterprise software start-up Intumit, travel community start-up Sosauce.com, and 3D game production start-up Muse Games in Taipei and New York. Mr. Lin has a BS in chemical engineering and minor in economics from National Taiwan University and obtained an MBA from New York University's Stern School of Business. Mr. Lin is the managing director of the Taiwan Internet and E-Commerce Association, the co-convenor of the Asia Silicon Valley Civil Advisory Committee and a member of the Executive Yuan's Digital Innovation and Governance Initiative Committee. Since 2009, he has regularly published articles on the MR JAMIE blog, providing inspiration to millions of readers interested in starting a business around the world. In his spare time, Mr. Lin also actively contributes to society</p>	<p>1. Meets independence criteria Nos. 3, 4, 6, 8, 9, 10 and 11 (see note). 2. Serves as the president of the Company, juristic person representative of major corporate shareholder TCC Investment Co., Ltd., as well as chairman, director or president of the Company's subsidiaries.</p>	0
Hsueh-Jen Sung	<p>Mr. Hsueh-Jen Sung is well-versed in the fields of finance, investment, mergers and acquisitions, and operations management. After graduating from National Chengchi University with an MBA, Mr. Sung received a Fulbright Scholarship for foreign students, which is awarded to only 10 people per year in Asia, and went on to obtain an MBA from Harvard University. Mr. Sung worked in financial centers such as Hong Kong, Tokyo and London. He served as the president of Grand Cathay Securities in 1992, and joined Goldman Sachs in 1994, becoming the first Taiwanese partner, executive director and principal of the Taiwan office in 1998. After retiring as vice chairman at Goldman Sachs Asia, Mr. Sung established an investment company to focus on the investment field. Numerous profitable investments have proved his unique and precise investment vision.</p>	<p>1. Meets independence criteria Nos. 1 to 12 (see note). 2. Has no direct or indirect interest in the Company, and meets the independence qualifications stipulated in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."</p>	0

Name	CV (Qualifications and Experience)	Independence analysis (note)	No. of public companies in which he or she also serves as an independent director
Char-Dir Chung	Mr. Char-Dir Chung, a telecommunications specialist, is a distinguished professor at National Taiwan University's Department of Electrical Engineering and Telecommunications and a fellow of the International Society of Electrical and Electronics Engineers. A doctorate in electrical engineering graduate from the University of Southern California, Mr. Chung's expertise lies in communication systems and theory, wireless communication and spread spectrum communication. Mr. Chung served extensively in government. He was appointed a minister without portfolio, and also served as a member/deputy convener/executive secretary of the Board of Science and Technology of the Executive Yuan, member/deputy convener/executive secretary of the National Information and Communications Initiative Committee of the Executive Yuan, and deputy executive secretary of the Science and Technology Advisory Group of the Executive Yuan. He was also the convener of the Performance Evaluation Committee of the Ministry of Economic Affairs' Technology Development Program. In academia, Mr. Chung was SIS chair professor at National Taiwan University, as well as chairman of National Central University's Department of Communication Engineering and the director of its Graduate Institute of Communication Engineering.	<ol style="list-style-type: none"> 1. Meets independence criteria Nos. 1 to 12 (see note). 2. Has no direct or indirect interest in the Company, and meets the independence qualifications stipulated in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies." 	0
Hsi-Peng Lu	Mr. Hsi-Peng Lu, an expert in the fields of e-commerce, information technology, fintech and operations management, is a distinguished professor at National Taiwan University of Science and Technology, an independent director of enterprises, and a newspaper and magazine columnist (<i>Economy Daily News</i> , <i>MANAGER Today</i> and <i>Scientific American</i>). His research covers e-commerce, internet marketing, Ubiquinomics, innovation management, strategy management, artificial intelligence and fintech, among others. A doctorate in industrial engineering graduate from the University of Wisconsin-Madison, Mr. Lu was the former chairman of Liang Shing Eclife. He was also the dean of National Taiwan University of Science and Technology's School of Management and Honors College, as well as head of the Department of Information Management. Mr. Lu also served three times as a member of the evaluation committee for the R.O.C. Presidential Innovation Awards.	<ol style="list-style-type: none"> 1. Meets independence criteria Nos. 1 to 12 (see note). 2. Has no direct or indirect interest in the Company and meets the independence qualifications stipulated in Article 3 of the "Regulations Governing Appointment of Directors and Compliance Matters for Public Companies." 	3

Name	CV (Qualifications and Experience)	Independence analysis (note)	No. of public companies in which he or she also serves as an independent director
Tong Hai Tan	Mr. Tong Hai Tan, an expert in the fields of communication, business, technology and operations management, is the executive director of SEAX Global Pte (Singapore). With more than 20 years of experience in the ICT industry, Mr. Tan had served as the CEO of StarHub Pte (Singapore), Singapore Computer Systems and Pacific Internet. During his tenure, he established numerous strategic partnerships with well-known enterprises, and was instrumental in transforming loss-making companies into profitable ones.	1. Meets independence criteria Nos. 1 to 12 (see note). 3. Has no direct or indirect interest in the Company and meets the independence qualifications stipulated in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."	0
Drina Yue	Ms. Drina Yue, who possesses extensive experience in the fields of communication industry, business, technology, and operations management, is an independent director of Zhejiang Leapmotor Technology. Ms. Yue has been engaged in the communications industry for more than 40 years, serving as the director, president, vicepresident, chief of staff or senior adviser at Gemalto, Western Union, Motorola, GSMA, Brambles, CHEP, iSteelAsia, GTS and AT&T.	1. Meets independence criteria No. 1 to 12 (see note). 2. Has no direct or indirect interest in the Company, and meets the independence qualification stipulated in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."	0

Note: Meets the conditions specified below within two years

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

3. 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 do 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 be formulated and include, without being limited to, the following two guidelines:

1. Basic requirements: Gender, age, nationality and culture
2. 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:

1. Make judgments about operations
2. Accounting and financial analysis
3. Business management
4. Crisis management
5. Knowledge of the industry
6. A global market perspective
7. Leadership
8. Make business 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	23	23	V	V	V			V			V	
Richard M. Tsai	23	23	V		V		V	V			V	
Chris Tsai	3	3	V		V			V			V	V
Jamie Lin	7	4	V		V	V	V					V
Hsueh-Jen Sung	8	8	V		V		V	V			V	
Char-Dir Chung	33	5				V			V	V	V	V
Hsi-Peng Lu	5	3				V		V	V		V	V
Tong Hai Tan	12	2			V	V			V	V	V	
Drina Yue	32	2			V	V			V		V	V

- Female director: 11.11%
- Age of directors: 22.22% between 30 and 50 years old, 77.78% over 50 years old
- Nationality: R.O.C. 77.78%, Singapore 11.11%, U.S. 11.11%

There are five independent directors and four non-independent directors in the company. Independent directors constitute more than half of the board at 56%. A familial relationship within the second degree of kinship exists between the chairman, Daniel M. Tsai, and directors Richard M. Tsai and Chris Tsai, which does not contravene Article 26-3, paragraph 3 of the Securities and Exchange Act.

Management Team

As of February 23,2022Title / Division	Nationality	Name	Gender	Effective date	Shareholding / %	Shareholding of spouse or minor children / %	Education and experience	Current position(s) in other companies	Manager is a spouse or consanguineous within two degrees		
									Title	Name	Relationship
President	R.O.C.	Jamie Lin	Male	2019.04.01	163,000 0.005	-	MBA, Stern School of Business, New York University BS in Chemical Engineering with a minor in Economics, National Taiwan University Co-founder/VP of Products, Social Sauce Co-founder/GM of Greater 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 Ltd. Director, AppWorks Ventures III Ltd. Director, Winbond Electronics Corp. Director, 91APP, Inc. Director, Dcard Holdings Ltd. Director, EZTable, Ltd. Director, VIV3 Inc. Chairman, AppWorks School Co., Ltd. Director, Bridge Mobile Pte Ltd. Director, LINE Bank Taiwan Ltd. Director and President, Taiwan Cellular Co., Ltd. President, TWM Venture Co., Ltd. Director and President, Wealth Media Technology Co., Ltd. Director, Taipei New Horizon Co., Ltd. President, Taiwan Fixed Network Co., Ltd. Chairman, Taiwan Teleservices & Technologies Co.,Ltd. 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 TechnologyCo., Ltd. Chairman and President, Global Wealth Media TechnologyCo., Ltd. Chairman, Win TV Broadcasting Co., Ltd. Director, momo.com Inc. President, TFN Union Investment Co., Ltd. President, TCCI Investment and Development Co., Ltd. Chairman, Taiwan Kuro Times Co., Ltd. Chairman, Yeong Jia Leh Cable TV Co., Ltd. Chairman, Phoenix Cable TV Co., Ltd. Chairman, Union Cable TV Co., Ltd. Chairman, Globalview Cable TV Co., Ltd. Chairman, TWM Film Co., Ltd.	—	—	—

As of February 23,2022Title / Division	Nationality	Name	Gender	Effective date	Shareholding / %	Shareholding of spouse or minor children / %	Education and experience	Current position(s) in other companies	Manager is a spouse or consanguineous within two degrees		
									Title	Name	Relationship
Executive Vice President and Chief Financial Officer / Finance and Administration Group	R.O.C.	Rosie Yu	Female	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, Global Forest Media Technology Co., Ltd. Director, Global Wealth Media Technology Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Union Cable TV Co., Ltd. Director, Globalview Cable TV Co., Ltd. Director, TWM Holdings Co., Ltd. Supervisor, Taiwan Cellular Co., Ltd. Supervisor, Wealth Media Technology Co., Ltd. Supervisor, TWM Venture Co., Ltd. Supervisor, Taiwan Fixed Network Co., Ltd. Supervisor, Taiwan Teleservices & Technologies Co., Ltd. Supervisor, TCC Investment Co., Ltd. Supervisor, Taiwan Digital Service Co., Ltd. Supervisor, TFN Media Co. Ltd. Supervisor, Win TV Broadcasting Co., Ltd. Supervisor, TFN Union Investment Co., Ltd. Supervisor, TCCI Investment and Development Co., Ltd. Supervisor, Taiwan Kuro Times Co., Ltd. Supervisor, TWM Communications (Beijing) Co., Ltd.	—	—	—
Vice President / Finance and Administration Group	R.O.C.	Jay Hong	Male	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	R.O.C.	Shirley Chu	Female	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	R.O.C.	Joan Hung	Female	2019.07.01	—	—	MS in HRD, Georgia State University Senior Director of Human Resources and Administration, Taiwan Mobile Co., Ltd. Senior Manager of Human Resources, Mobitai Communications Co., Ltd. Assistant Manager, Tsannkuen Co., Ltd.	None	—	—	—
Vice President and Chief Data Officer / Corporate Affairs	R.O.C.	Eddie Chan	Male	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 & Co.	None	—	—	—

As of February 23,2022Title / Division	Nationality	Name	Gender	Effective date	Shareholding / %	Shareholding of spouse or minor children / %	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	R.O.C.	C.H. Wu	Male	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. Chairman and President, Tai-Fu Cloud Technology Co., Ltd. Director, Taihsin Property Insurance Agent Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Union Cable TV Co., Ltd. Director, Globalview Cable TV Co., Ltd. Director, TWM Communications (Beijing) Co., Ltd.	—	—	—
Vice President / Corporate Affairs	R.O.C.	Tim Lee	Male	2020.03.09	—	—	MBA, The Wharton School University of Pennsylvania VP, Government of Singapore Investment Corp. (GIC) Associate, ABN AMRO Research Executive, ACNielsen	Director, TWM Communications (Beijing) Co., Ltd. Director, TWM Film Co., Ltd. Director, Nada Holdings, Inc.	—	—	—
Vice President / Corporate Affairs	R.O.C.	David Lin	Male	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 and Operations and Special Assistant to Chairman, Kbro Co., Ltd. Special Assistant to Chairman, Vibo Telecom Vice President, Asia Pacific Telecom	None	—	—	—
Vice President / Corporate Affairs	R.O.C.	Naomi Lee	Female	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	—	—	—
Vice President / Corporate Affairs	R.O.C.	Iris Liu	Female	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.	—	—	—
Senior Vice President and Chief Technology Officer / Technology Group	R.O.C.	Tom Koh	Male	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.	—	—	—

As of February 23,2022Title / Division	Nationality	Name	Gender	Effective date	Shareholding / %	Shareholding of spouse or minor children / %	Education and experience	Current position(s) in other companies	Manager is a spouse or consanguineous within two degrees		
									Title	Name	Relationship
Vice President / Technology Group	R.O.C.	Ming- Tung Wu	Male	2021.07.01	—	—	PhD in Electrical Engineering, National Taiwan University MS in Electrical Engineering, National Taiwan University Deputy Director, Taiwan Fixed Network Co., Ltd. Manager, Howin Technology Manager, Taiwan Fixed Network Co., Ltd. A.M., Suretone Telecom Inc.	None	—	—	—
Vice President and Chief Information Officer / Information Technology Group	R.O.C.	Rock Tsai	Male	2022.02.22	—	—	DBA, Central South University Executive Director & Head of Technology, DBS Taiwan Group CIO, Sinyi Realty Senior Vice President, HSBC China Executive VP & COO, G-Bridge Optoelectronics AVP, Citibank Taiwan EVP & Spokesman, Timenet Teleco.	None	—	—	—
Vice President / Consumer Business Group	R.O.C.	Steve Chou	Male	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	R.O.C.	Kate Chen	Female	2021.07.01	—	—	MA in Advertising, Marquette University Director, TransAsia Telecommunications Inc A.M., D.Y.R A.M., Leo Burnett.	President, Taiwan Digital Service Co., Ltd.	—	—	—
Vice President / Consumer Business Group	R.O.C.	Daphne Lee	Female	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 and President, TWM Film Co., Ltd. Director, Mistake Entertainment Co., Ltd. Director, Nada Holdings, Inc	—	—	—
Vice President / Consumer Business Group	R.O.C.	Michael Teng	Male	2017.01.03	—	—	BS in Industrial Engineering, Chung Yuan Christian University Senior Director, Taiwan Mobile Co., Ltd. Vice President, Taiwan Tele-Shop Co., Ltd.	None	—	—	—

Note 1: Shareholding percentage was calculated based on outstanding shares of 3,519,233,603 as of February 23, 2022. Shareholdings of less than 0.001% are denoted as “0.000” and zero shareholdings are denoted as “—”.

Note 2: Shares purchased through the employee share ownership trust (ESOT) program are not included in the table.

Shares held by the management team through the ESOT program are listed as follows: Jamie Lin - 1,935 shares, Rosie Yu - 4,639 shares, Jay Hong - 13,929 shares, Joan Hung - 6,242 shares, Eddie Chan - 3,729 shares, Tim Lee – 1,183 shares, David Lin - 771 shares, Iris Liu - 2,428 shares, Ming-Tung Wu - 7,529 shares, Steve Chou - 7,101 shares, Daphne Lee - 4,866 shares, Michael Teng - 13,929 shares.

Compensation to Directors and Management Executives

1. Directors’ compensation

Unit: NT\$

Title	Name	Representative	Directors' compensation								A+B+C+D *as a % of net profit		Compensation as an employee								A+B+C+D+E+F+G *as a % of net profit		Compensation from investees other than subsidiaries
			Cash compensation (A)		Pension (B)		Director's remuneration (C)		Professional fee (D)				Performance-based salary (E)		Retirement pay of employees (F)		Earnings paid as bonus to employees (G)						
			Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone		Consolidated		Stand-alone	Consolidated	
																	Cash	Stock	Cash	Stock			
Chairman	Fu-Chi Investment Co., Ltd.	Daniel M. Tsai	47,143,696	47,623,696	-	-	14,482,421	14,482,421	3,641,870	3,962,870	65,267,987 *0.5940%	66,068,987 *0.6013%	20,488,529	20,488,529	-	-	4,939,700	-	4,939,700	-	90,696,216 *0.8254%	91,497,216 *0.8327%	6,214,412
Director	Fu-Chi Investment Co., Ltd.	Richard M. Tsai																					
Director	Fu-Chi Investment Co., Ltd.	Chris Tsai																					
Director	TCC Investment Co., Ltd.	Jamie Lin																					
Independent Director	Hsueh-Jen Sung		7,200,000	7,200,000	-	-	21,723,630	21,723,630	2,020,000	2,020,000	30,943,630 *0.2816%	30,943,630 *0.2816%	-	-	-	-	-	-	-	-	30,943,630 *0.2816%	30,943,630 *0.2816%	400,000
Independent Director	Char-Dir Chung																						
Independent Director	Hsi-Peng Lu																						
Independent Director	Tong Hai Tan																						
Independent Director	Drina Yue																						

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\$728,896.

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\$5,163,918.

2. Range of compensation to directors

Range of compensation to directors	Name of directors			
	Director's 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	Chris Tsai, Jamie Lin	Chris Tsai	Chris Tsai
NT\$1,000,000~NT\$1,999,999	Richard M. Tsai	Richard M. Tsai	Richard M. Tsai	Richard M. Tsai
NT\$2,000,000~NT\$3,499,999	TCC Investment Co., Ltd.	TCC Investment Co., Ltd.	TCC Investment Co., Ltd.	TCC Investment Co., Ltd.
NT\$3,500,000~NT\$4,999,999	—	—	—	—
NT\$5,000,000~NT\$9,999,999	Hsueh-Jen Sung, Char-Dir Chung, Hsi-Peng Lu, Tong Hai Tan, Drina Yue	Hsueh-Jen Sung, Char-Dir Chung, Hsi-Peng Lu, Tong Hai Tan, Drina Yue	Hsueh-Jen Sung, Char-Dir Chung, Hsi-Peng Lu, Tong Hai Tan, Drina Yue	Hsueh-Jen Sung, Char-Dir Chung, Hsi-Peng Lu, Tong Hai Tan, Drina Yue
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	—
NT\$30,000,000~NT\$49,999,999	Daniel M. Tsai	Daniel M. Tsai	Daniel M. Tsai	Daniel M. Tsai, Jamie Lin
NT\$50,000,000~NT\$99,999,999	—	—	—	—
NT\$100,000,000 and above	—	—	—	—
Total	11	11	11	11

3. Management executives' compensation

Unit: NT\$

Unit: NT\$

Title and name	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 Data Officer, Eddie Chan; Vice President, C.H. Wu;Vice President, Steve Chou; Vice President, Tim Lee; Vice President, Kate Chen; Vice President, Jay Hong; Vice President, Shirley Chu; Vice President,Joan Hung; Vice President, Ming-Tung Wu; Vice President, David Lin; Vice President, Naomi Lee; Vice President, Iris Liu; Vice President, Daphne Lee; Vice President, Michael Teng Resigned managers: Vice President and Chief Information Officer, James Chang		Total
Salary (A)	Stand-alone		88,564,878
	Consolidated		88,924,878
Pension (B) *	Stand-alone		1,728,000
	Consolidated		1,728,000
Performance-based salary (C)	Stand-alone		57,781,233
	Consolidated		58,166,937
Earnings paid as bonus to employees (D)	Stand-alone	Cash	28,982,400
		Stock	—
	Consolidated	Cash	28,982,400
		Stock	—
A+B+C+D *as a % of net profit	Stand-alone		177,056,511 *1.6113%
	Consolidated		177,802,215 *1.6181%
Compensation from investees other than subsidiaries			6,214,412

Note 1: The Company's contribution to employees' pension account, not actual amount paid.

Note 2: Figures do not include compensation paid to company drivers, which totaled NT\$2,172,636.

4. Range of compensation to management executives

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

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

5. Compensation mix of management executives

Title and name	Salary and pension	Performance-based salary	Earnings paid as bonus to employees
President, Jamie Lin	37.4%	43.2%	19.4%
Executive Vice President and Chief Financial Officer, Rosie Yu	46.0%	32.9%	21.1%
Senior Vice President and Chief Technology Officer, Tom Koh	46.3%	33.4%	20.3%
Vice President and Chief Data Officer, Eddie Chan	47.6%	33.2%	19.2%
Vice President, C.H. Wu	53.2%	31.8%	15.0%
Vice President, Steve Chou	46.7%	33.3%	20.0%
Vice President, Tim Lee	88.7%	11.3%	0.0%
Vice President, Kate Chen	32.0%	42.6%	25.4%
Vice President, Jay Hong	53.7%	31.2%	15.1%
Vice President, Shirley Chu	46.2%	35.1%	18.7%
Vice President, Joan Hung	48.1%	32.3%	19.6%
Vice President, Ming-Tung Wu	31.5%	43.5%	25.0%
Vice President, David Lin	51.9%	34.5%	13.6%
Vice President, Naomi Lee	48.8%	32.5%	18.7%
Vice President, Iris Liu	52.9%	33.4%	13.7%
Vice President, Daphne Lee	48.3%	33.9%	17.8%
Vice President, Michael Teng	47.7%	34.8%	17.5%
Vice President and Chief Information Officer, James Chang*	84.6%	15.4%	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 Data Officer, Eddie Chan Vice President, C.H. Wu Vice President, Steve Chou Vice President, Tim Lee Vice President, Kate Chen Vice President, Jay Hong Vice President, Shirley Chu Vice President, Joan Hung Vice President, Ming-Tung Wu Vice President, David Lin Vice President, Naomi Lee Vice President, Iris Liu Vice President, Daphne Lee Vice President, Michael Teng	-	28,982,400	28,982,400	0.2638%

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	2020	107,127,543	11,286,553,218	0.9492%
	2021	121,639,846	10,988,164,899	1.1070%
On a consolidated basis	2020	113,161,971	11,286,553,218	1.0026%
	2021	129,055,258	10,988,164,899	1.1745%

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 is 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	2020	156,777,681	11,286,553,218	1.3891%
	2021	177,056,511	10,988,164,899	1.6113%
On a consolidated basis	2020	162,706,813	11,286,553,218	1.4416%
	2021	184,016,627	10,988,164,899	1.6747%

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 40% to 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 bonus 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 seven meetings in 2021

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Chairman	Fu Chi Investment Co., Ltd. Representative: Daniel M. Tsai	7	0	100%	None
Director	Fu Chi Investment Co., Ltd. Representative: Richard M. Tsai	5	2	71%	None
Director	Fu Chi Investment Co., Ltd. Representative: Chris Tsai	7	0	100%	None
Director	TCC Investment Co., Ltd. Representative: Jamie Lin	7	0	100%	None
Independent Director	Hsueh-Jen Sung	7	0	100%	None
Independent Director	Char-Dir Chung	7	0	100%	None
Independent Director	Hsi-Peng Lu	7	0	100%	None
Independent Director	Tong Hai Tan	7	0	100%	None
Independent Director	Drina Yue	7	0	100%	None

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
2021.01.26	Daniel M. Tsai Richard M. Tsai Jamie Lin	2020 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 Chris Tsai	Acquisition or disposal of right-of-use assets	Richard M. Tsai: Personal interest Daniel M. Tsai and Chris Tsai: Interested party	All three were excluded from the deliberations
2021.05.04	Jamie Lin	Acquisition of shares of AppWorks Fund III through TWM Venture Co., Ltd., a 100%-owned subsidiary	Personal interest	Mr. Lin was excluded from the deliberations
	Daniel M. Tsai Richard M. Tsai Chris Tsai Jamie Lin	Acquisition or disposal of right-of-use assets	Richard M. Tsai and Jamie Lin: Personal interest Daniel M. Tsai and Chris Tsai: Interested party	All four were excluded from the deliberations
	Daniel M. Tsai Richard M. Tsai Chris Tsai	Removal of non-competition restrictions for board members	Personal interest	All three were excluded from the deliberations
2021.08.05	Daniel M. Tsai Richard M. Tsai Jamie Lin	Distribution of 2020 bonuses and adjustment of 2021 remuneration for the Company's chairman, managers and audit supervisor	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 Chris Tsai	Acquisition or disposal of right-of-use assets	Richard M. Tsai: Personal interest Daniel M. Tsai and Chris Tsai: Interested party	All three were excluded from the deliberations
2021.11.04	Jamie Lin	Balanced scorecard for president	Personal interest	Mr. Lin was excluded from the deliberations
	Hsueh-Jen Sung Char-Dir Chung Hsi-Peng Lu Tong Hai Tan Drina Yue	Revisions to the Rules for Setting Director's Remuneration	Personal interest	All five were excluded from the deliberations
	Daniel M. Tsai Richard M. Tsai Chris Tsai	Acquisition or disposal of right-of-use assets	Richard M. Tsai: Personal interest Daniel M. Tsai and Chris Tsai: Interested party	All three were excluded from the deliberations

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

Evaluation Frequency	Evaluation Period	Evaluation Scope	Evaluation Measures	
Once a year	Jan 2021 to Dec 2021	Performance evaluation of the board as a whole, individual directors, and functional committees	1. Evaluation of the performance of the board of directors (1) Participation in the operations of the company (2) Improvement in decision-making quality (3) Composition and structure of the board (4) Election and continuing education of directors (5) Internal controls (6) Participation in corporate social responsibility 2. Self-evaluation by individual directors (1) Alignment with the goals and missions of the company (2) Awareness of the duties of a director (3) Participation in the operations of the company (4) Management of internal relationships and communication (5) Professionalism and continuing education of directors (6) Internal control 3. Self-evaluation by Functional Committees: (1) Participation in the operations of the company (2) Awareness of the duties of the functional committees (3) Improvement in quality of decision-making (4) Election and composition of the functional committees (5) Internal controls	
Every three years	Mar 2020 to Feb 2021	Commissioning of an independent evaluator to conduct an overall assessment 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 sessions to facilitate interactions between lecturers and directors. The total number of training hours was 65 in 2021, which included programs such as "Trends in internet threats and information security policy" and "ESG responsible investment – The sustainable influence of the financial industry."
- (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 the 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 an annual performance evaluation. Board members completed an evaluation assessment in 1Q22.
- (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 2021.

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	8	0	100%	None
Independent Director	Drina Yue	8	0	100%	None

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	Audit Committee	Proposals and reports	Audit Committee's major suggestions	Audit Committee's opinion	Company's response
2021.01.25	6th meeting of the fifth Audit Committee	2020 internal control statement	None	Approved as proposed	Approved as proposed
		2021 capital expenditure plan and donation to TWM Foundation			
		Acquisition or disposal of right-of-use assets			
2021.02.24	7th meeting of the fifth Audit Committee	2020 business report and financial statements	None	Approved as proposed	Approved as proposed
		Appointment of CPA			
		Acquisition or disposal of right-of-use assets			
		2021 additional capital expenditures			
2021.05.03	8th meeting of the fifth Audit Committee	1Q21 financial statements	None	Approved as proposed	Approved as proposed
		2020 earnings distribution and cash return from capital surplus			
		Issuance of unsecured straight corporate bonds			
		Removal of non-competition restrictions on members of the BOD			
		Acquisition or disposal of right-of-use of assets			
		Acquired additional common shares of AppWorks Fund III through TWM Venture CO., LTD., a 100%-owned subsidiary			

Date	Audit Committee	Proposals and reports	Audit Committee's major suggestions	Audit Committee's opinion	Company's response
2021.07.15	9th meeting of the fifth Audit Committee	Investment in TIKI Global PTE. LTD. through TWM Venture CO., LTD. Resolution to participate in the issuance of new shares by TWM Venture Co., Ltd., a 100%-owned subsidiary (NT\$570 million)	None	Approved as proposed	Approved as proposed
2021.08.04	10th meeting of the fifth Audit Committee	2Q21 financial statements	None	Approved as proposed	Approved as proposed
		Acquisition or disposal of right-of-use assets			
2021.11.02	11th meeting of the fifth Audit Committee	3Q21 financial statements	None	Approved as proposed	Approved as proposed
		Internal audit plan for 2022			
		Acquisition or disposal of right-of-use assets			
2021.12.30	12th meeting of the fifth Audit Committee	Merger of Taiwan Star into Taiwan Mobile	None	Approved as proposed	Approved as proposed

(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: None.

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
2021.01.25 6th meeting of the fifth Audit Committee	1. 4Q20 internal audit report 2. 2020 internal control statement	1. Acknowledged 2. Reviewed and submitted to BoD for approval	-	-
2021.02.24 7th meeting of the fifth Audit Committee	-	-	2020 financial statements, key audit matters, explanations of computer audit, changing trend in compliance with risk management from passive to active Discussed inquiries raised by attendees	Acknowledged
2021.05.03 8th meeting of the fifth Audit Committee	1Q21 internal audit report	Acknowledged	1. 1Q21 financial statements, smart city, future trends 2. Discussed inquiries raised by attendees	Acknowledged
2021.08.04 10th meeting of the fifth Audit Committee	1. 2Q21 internal audit Report 2. Report the business of the Risk Management Committee	1. Acknowledged 2. Acknowledged	1. 2Q21 financial statements and audit of subsidiaries 2. Discussed and shared case studies about trends in enterprise data governance 3. Discussed inquiries raised by attendees	Acknowledged
2021.1.02 11th meeting of the fifth Audit Committee	1. 3Q21 internal audit report 2. Internal audit plan for 2022	1. Acknowledged 2. Reviewed and submitted to BoD for approval	1. 3Q21 financial statements and communication of key audit matters 2. Discussed inquiries raised by attendees	Acknowledged

Corporate governance practices

Item		Current practices
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, as well as 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 has been fully implemented.
	Establishing a Remuneration and Nomination Committee and an Audit Committee in accordance with the law and voluntarily setting up other functional committees	The Company has also established a Privacy and Information Security Management Committee, Risk Management Committee, CSR Committee and Innovation Management Committee to enhance various functions.
	Board performance evaluation	<p>The Company passed the Rules and Procedures on Evaluating the 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 an annual performance evaluation and uses it as a reference for remuneration and re-appointment. The performance evaluation 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 rating of over 4.95, with 5 being the highest score.</p> <p>The Company appointed the Taiwan Corporate Governance Association (TCGA) to conduct its board evaluation in January 2021. The evaluation, covering the period from March 1, 2020 to February 28, 2021, focused on eight aspects: composition, guidelines, authorization, supervision, communication, internal controls and risks, self-discipline and support systems. The report was issued on May 3, 2021, and presented to the Board of Directors by the Remuneration and</p>

Item	Current practice
	<p>Nomination Committee on August 5, 2021. The results of the evaluation and proposed countermeasures are as follows:</p> <p>A. Comments :</p> <p>(a) The Company values having a diverse board of directors, with members who are selected based not only on the Company's current needs, but also their capabilities in advancing its future development. Independent members take up more than half of the board seats. Aside from attending scheduled meetings, board members take an active role in the Company's various business operations and interact closely with management.</p> <p>(b) To lead the Company's transformation, the board appointed a president with a nontraditional telecommunications industry background two years ago. The president's performance is evaluated by the Remuneration and Nomination Committee using the Balanced Scorecard model, taking into consideration the Company's short, medium and long-term goals.</p> <p>(c) The Company again appointed an independent evaluator to assess board performance. It took actions on all recommendations from the previous evaluation and disclosed relevant information in the annual report and on its corporate website. This showed the board's proactive approach to enhancing corporate governance and the effectiveness of the board.</p> <p>(d) To manage potential risks related to the Company's transformation, the chairman acts as the convener and supervisor of the Risk Management Committee. The committee holds a meeting at least every six months and reports its operations to the board at least once a year.</p> <p>B. Suggestions/Implementation:</p> <p>(a) As the Company pursues a new growth curve with a business model that differs from its existing position as a traditional telecommunications company, it is recommended that the board should continuously strengthen risk controls, regularly review the effectiveness of the internal control system and make adjustments accordingly. The Company has executed the suggestions.</p> <p>(b) It is recommended that the Company set up a "Nomination Committee". The functions of the "Nomination Committee" were incorporated into the Remuneration and Nomination Committee in 2018.</p>
Periodic review of CPA's independence	<p>The heads of finance and other divisions of the Company and its subsidiaries have evaluated 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:</p>

Item	Current practices
	<ol style="list-style-type: none"> 1. The CPAs' resumes. 2. The CPAs neither serve as a director/supervisor/manager nor hold a position with major influence in the Company or its subsidiaries, and have no interests that conflict with the Company's. 3. The CPAs have not served as auditors for the Company for seven consecutive years. 4. The CPAs should provide the Company with a Declaration of Independence on a quarterly basis. 5. The CPAs have not provided non-audit services to the Company which might affect their independence. 6. The CPAs are not involved in any significant lawsuit or litigation, and have never been censured by any regulatory body. 7. The scale and reputation of the CPA firm. 8. Effective interaction with management and internal audit officer. <p>The results of the 2021 evaluation met the independence criteria and were approved by the Audit Committee on January 24, 2022 and the board on January 25, 2022.</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 recording 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 of experience managing publicly listed companies' financial and stock affairs, as well as meeting procedures. The division head attended the following training programs in 2021:</p> <ol style="list-style-type: none"> 1. How to enhance risk management and crisis management through e-governance (Taiwan Digital Governance Association, 3hr) 2. Legal liability and case study of financial statement fraud and insider trading (Taiwan Securities Association, 3hr) 3. Model for wealth succession – Case study on the transfer of stocks and real estate (Taiwan Securities Association, 3hr) 4. Corporate governance 3.0: Sustainable development blueprint (Taiwan Securities Association, 3hr) <p>The division provided the following:</p> <ol style="list-style-type: none"> 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. 2. Purchased annual liability insurance for directors. 3. Prepared board of directors' and shareholders' meetings, and handled company registration and any changes therein.

Item		Current practices
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 ESG have been set up on the Company's official website and integrated into one comprehensive stakeholders' section. Special personnel have been assigned to handle ESG related issues.
Has the Company outsourced its shareholders' general meetings?		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 statement within two months after the end of a fiscal year, and published and reported its financial statements for the first, second and third quarters, as well as its operating status for each month, before the specified deadline?	In 2021, the Company published and reported its annual financial statement within two months after the end of the fiscal year. It published and reported its first, second and third quarter financial statements before deadline, as well as its monthly 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 2021

Training program	Organization	Date	Hours	Participant(s)
Corporate governance 3.0: Sustainable development blueprint and corporate governance evaluation practice analysis	Accounting Research and Development Foundation	2021.01.28	3	Drina Yue
Analysis of cases of fraudulent financial reports and grasping the key points in a financial report	Accounting Research and Development Foundation	2021.01.29	3	Drina Yue
Corporate social responsibility and analysis of remuneration system	Taiwan Corporate Governance Association	2021.03.23	3	Hsi-Peng Lu
New policies for sustainable development of corporates and analysis of fraud prevention cases	Accounting Research and Development Foundation	2021.03.29	3	Char-Dir Chung, Tong Hai Tan
Legal compliance and auditing practices of corporate shareholders' meeting	Accounting Research and Development Foundation	2021.03.30	3	Tong Hai Tan
Sharing of actual cases by the Audit Committee – Review of mergers and the responsibilities of directors	Taiwan Corporate Governance Association	2021.05.07	3	Hsueh-Jen Sung
Protection of financial consumers and fair treatment of customers	Taipei Fubon Commercial Bank Co., Ltd.	2021.06.18	1	Daniel M. Tsai
Lecture on corporate governance for directors, supervisors and chief corporate governance officer in line with IFRS 17	Taiwan Insurance Institute	2021.08.25	3	Richard M. Tsai
The 13th Taipei Corporate Governance Forum	Financial Supervisory Commission	2021.09.01	6	Tong Hai Tan
Management guidelines to prevent insider trading	Taiwan Corporate Governance Association	2021.09.17	3	Jamie Lin
International trends and practices to counter money laundering and financing of terrorism	Taipei Fubon Commercial Bank Co., Ltd.	2021.09.24	1	Daniel M. Tsai

Training program	Organization	Date	Hours	Participant(s)
Model for wealth succession – Case study on the transfer of stocks and real estate	Taiwan Securities Association	2021.10.08	3	Hsueh-Jen Sung
2021 5th corporate governance training lecture	Institute of Financial Law and Crime Prevention	2021.11.19	3	Char-Dir Chung
Trends in internet threats and information security policy	Independent Director Association Taiwan	2021.11.26	3	Daniel M. Tsai, Hsi-Peng Lu, Chris Tsai
Corporate governance lecture – Principles on fair treatment of customers (Session II)	Taiwan Academy of Banking and Finance	2021.11.29	3	Daniel M. Tsai
ESG responsible investment – The sustainable influence of the financial industry	Independent Director Association Taiwan	2021.12.08	3	Richard M. Tsai, Hsi-Peng Lu, Chris Tsai, Jamie Lin

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

7. Corporate governance related training programs and succession plan for management in 2021

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 2021, the Company arranged training courses covering topics such as "Prospective trends and new opportunities in AIoT," "Exploration of corporate governance and reinforcing ethical corporate management," "Management guidelines to prevent insider trading," and "Corporate governance 3.0".

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

In line with this plan, the Company recently promoted two senior executives. Mr. Ming-Tung Wu was promoted to Vice President after serving as the head of several divisions to acquire skills and competencies needed for the position. Ms. Kate Chen, head of the Acquisition and Loyalty Marketing Division, was promoted to Vice President after overseeing the Channel Strategy and Management Office and Business Operations Management Division. By expanding her management scope, Ms. Chen will be able to expand the leadership skills needed to grow into future roles and responsibilities.

Training program	Organizer	Date	Hours	Participants
Ethical corporate management best practice principles	In-house training	2021.03.05	1.2	Jamie Lin, Tom Koh, Eddie Chan, C.H. Wu, Steve Chou, Kate Chen, Jay Hong, Shirley Chu, Joan Hung, Ming-Tung Wu, David Lin, Naomi Lee, Iris Liu, Daphne Lee, Michael Teng
Information security and confidential information protection	In-house training	2021.03.17	3	Tom Koh, Jay Hong, Ming-Tung Wu, Iris Liu
How to enhance risk management and crisis management by E-governance	Taiwan Digital Governance Association	2021.03.24	3	Rosie Yu
Prospect of the trends and new opportunities of AIoT	In-house training	2021.04.16	2	Tom Koh, Tim Lee, Kate Chen, Jay Hong, Shirley Chu, Joan Hung, Iris Liu, Daphne Lee, Michael Teng

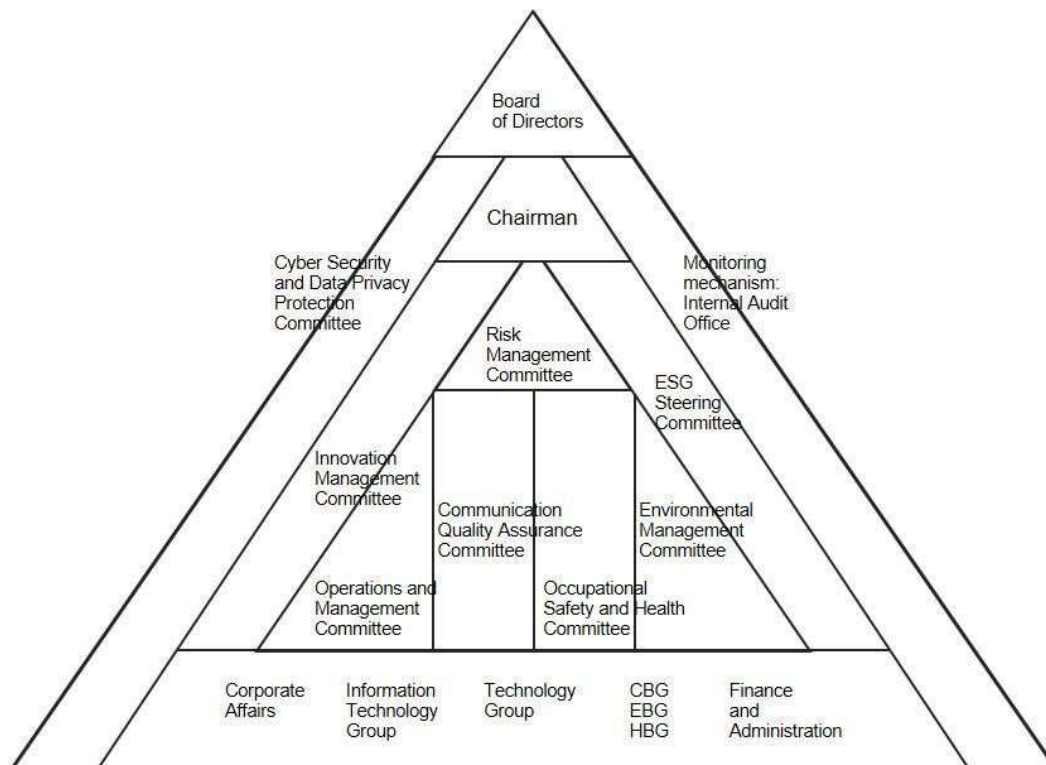
Training program	Organizer	Date	Hours	Participants
Exploration of corporate governance and reinforcing ethical corporate management	In-house training	2021.06.23	2	Tom Koh, Steve Chou, Kate Chen, Jay Hong, Joan Hung, Ming-Tung Wu, David Lin, Naomi Lee, Iris Liu, Daphne Lee, Michael Teng
Code of ethics	In-house training	2021.08.26	0.5	Jamie Lin, Rosie Yu, Tom Koh, Eddie Chan, C.H. Wu, Steve Chou, Tim Lee, Kate Chen, Jay Hong, Shirley Chu, Joan Hung, Ming-Tung Wu, David Lin, Naomi Lee, Iris Liu, Daphne Lee, Michael Teng
Legal liability and case study of financial statement fraud and insider trading	Taiwan Securities Association	2021.09.07	3	Rosie Yu
Management guidelines to prevent insider trading	Taiwan Corporate Governance Association	2021.09.17	3	Jamie Lin
Efficient Interpret and prepare for the requirements of ESG disclosure of Corporate Governance 3.0	Taiwan Corporate Governance Association	2021.09.17	3	Naomi Lee
Case study of stock and real estate transfer	Taiwan Securities Association	2021.10.08	3	Rosie Yu
ESG responsible investment	Independent Director Association Taiwan	2021.12.08	3	Jamie Lin
Forum on TWM circular economy	In-house training	2021.12.14	3	Jay Hong, Iris Liu, Michael Teng

8. Risk management

Risk management policies

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

Risk management structure



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

	Responsible unit	Function
Ground	Corporate Affairs, Information Technology Group, Technology Group, Consumer Business Group, Enterprise Business Group, Home Business Group, Finance and Administration	Risk factors are analyzed and assigned to responsible units to monitor and ensure timely and effective detection. Each unit shall ensure, on a daily basis, that risks are kept under acceptable levels. Should there be any changes in condition or other factors, the responsible unit shall report these to the Company for an appropriate course of action.
Middle	Risk Management Committee*	Integrate the Company's risk management framework and internal control mechanism. Execute risk management strategies and conduct a review of the efficiency of the overall risk management mechanism. Exercise control over the four following committees:
	1) Operations and Management Committee	Conduct periodic reviews of each business group's operating targets 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.
	Cyber Security and Data Privacy Protection 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.
	ESG Steering Committee	Uphold the principle of sustainable management and implement sustainable strategy blueprints and visions.
	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

	Important risk factors	Responsible unit	Examining committee	Decision-making and supervision
1	Operating risk	Technology Group / IT Group	Operations and Management Committee	The highest decision-making body: Board of Directors Monitoring mechanism: Internal Audit Office
2	Market risk A. Competition B. New products C. Channel management D. Inventory management	CBG, EBG and HBG		
3	Credit and collection risks	Business Operations Management Division and Billing Management Division		
4	Government policies and regulatory compliance	Regulatory and Carrier Relations Division		
5	M&A and investments	President's Office		
6	Volatility of interest rates, exchange rates and financial risks	Finance Division		
7	Financing and endorsements / guarantees provided to others, derivatives transactions and working capital management	Finance Division		
8	Financial report disclosure and tax risk management	Accounting Division		
9	Litigious and non-litigious matters	Legal Office		
10	Changes in shareholding of directors and major shareholders	Secretarial Division		
11	Board meeting facilitation	Secretarial Division		
12	Employee behavior, code of ethics and conduct	Human Resources Division		
13	Corporate social responsibility risks and other emerging risks	Sustainability and Brand Development Division	ESG Steering 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	Cyber Security and Data Privacy Protection 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	

9. Implementation of customer policy

With customer service as a core value, the Company provides online customer services on its official website. To gain customer trust, the Company established the 080 Home Agent to continue providing customer services amid COVID-19.

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)			11
Certified Internal Auditor (CIA)	3	1	2
Certified Information Systems Auditor (CISA)	2		
Chartered Financial Analyst (CFA)		1	
Corporate Governance basic skills			3
Stock affairs specialist (Securities and Futures Institute)			3
Bond specialist (Securities and Futures Institute)			2
ISO20000/ISO22301/ISO27001/ISO27701/ISO29100/ISO9001/BS10012/BS25999/BS7799 Lead Auditor	9	24	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% listed companies for seven 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	Professional qualifications and Experience	Independence criteria	No. of public companies in which he or she also serves as a member of the Remuneration and Nomination Committee
Independent Director	Char-Dir Chung	Please refer to page23 “Qualifications and independence criteria of directors”		0
Independent Director	Hsueh-Jen Sung			0
Independent Director	Hsi-Peng Lu			3
Independent Director	Tong Hai Tan			0
Independent Director	Drina Yue			0

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 2021:

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	4	0	100%	None
Independent Director	Drina Yue	4	0	100%	None

- 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
2021.01.26	2nd meeting of the fourth R&N Committee	Succession plan for management executives	Approved as proposed	Approved by the BoD
		Commissioning of an external professional institution to conduct an evaluation of the board's 2020 performance	Approved as proposed	Approved by the BoD
		Results of a 2020 performance evaluation of managers/head of internal audit, and year-end bonus distribution	Approved as proposed	Approved by the BoD
		2020 year-end bonus of the Chairman	Approved as proposed	Approved by the BoD
2021.02.25	3rd meeting of the fourth R&N Committee	Succession plan for management executives	Approved as proposed	Approved by the BoD
		Report on the results of a 2020 performance evaluation of the BoD and functional committees	Approved as proposed	Approved by the BoD
		2020 remuneration distribution plan for BoD	Approved as proposed	Approved by the BoD

Date	R&N Committee Meeting	Agenda	R&N Committee's Opinion	Company Response
		Develop balanced scorecard evaluation scheme for the President	Approved as proposed	Approved by the BoD
2021.08.05	4th meeting of the fourth R&N Committee	Report on the results of a 2020 external performance evaluation of the BoD and functional committees	Approved as proposed	Approved by the BoD
		Promotion and salary adjustment proposal for managers	Approved as proposed	Approved by the BoD
		2020 employee profit sharing distribution plan and 2021 salary adjustment proposal for managers/head of internal audit	Approved as proposed	Approved by the BoD
		2020 annual compensation and 2021 salary adjustment proposal for the Chairman	Approved as proposed	Approved by the BoD
2021.11.04	5th meeting of the fourth R&N Committee	Develop balanced scorecard evaluation scheme for the President	Approved as proposed	Approved by the BoD
		Revision of BoD remuneration policy	All members were excluded from the deliberations as stakeholders	All independent directors were excluded from the deliberation. The proposal was approved as proposed by all directors who have voting rights

Environmental, social and corporate governance (ESG)

Item	Current practices
Corporate governance	
1. Setting up a unit to carry out environmental, social and corporate governance (ESG) policy or system	<p>1. A Sustainability and Corporate Citizenship Department was established under the Sustainability and Brand Development Division. It serves as the executive secretary to the ESG Steering Committee, and is responsible for integrating interdepartmental ESG tasks, as well as drafting and carrying out ESG initiatives. The CSR Steering Committee was established in 2014. With the board's approval in 2021, it was renamed as the ESG Steering Committee.</p> <p>2. The Company chairman and president serve as the ESG Steering Committee chairman and vice chairman, respectively. The committee leads the top executives from each business group in identifying risks and opportunities relevant to environmental, social and governance issues, reports to the Board of Directors on a quarterly basis, and formulates sustainability strategies by integrating operations with core resources. In 2021, the Board of Directors approved the company-wide goal of using 100% renewable energy by 2040 and a plan to join the RE100 renewable energy initiative.</p>
2. Applying the materiality principle to identify material ESG topics, and setting corresponding policies or strategies	<p>1. The ESG materiality boundaries were defined based on the nature of Taiwan Mobile's operations.</p> <p>2. A total of 24 topics concerning sustainability were selected by applying the materiality principle. Specifically, the Company prioritized topics that were more vital to its operations, concerned stakeholders more, and in which the Company had a high impact on society. It also considered topics that the Company would manage internally in an autonomous manner. The material topics were confirmed by the ESG Steering Committee.</p> <p>3. The Company conducted an impact analysis of these key material topics to explore how it should respond and set strategic targets in accordance with its risk management policies, as well as continue to track the progress of implementing these targets. Please refer to the following website for our 2021 ESG report: (https://corp.taiwanmobile.com/pdf/2021_E_ESG.pdf)</p>

Item	Current practices
<p>Environmental sustainability</p> <ol style="list-style-type: none"> 1. Establishing an environmental management system in line with the nature of the Company's business operations 2. Promoting advanced and efficient use of renewable resources to reduce their impact on the environment 	<ol style="list-style-type: none"> 1. The Environmental Management Committee was formed in 2016, with the CTO serving as the chairperson, and the Sustainability and Brand Development Division VP as the vice chairperson. It was tasked with developing environmental policies and objectives, as well as integrating the administration of ISO 14001 environmental management, ISO 14064-1 greenhouse gas inventories, ISO 50001 energy management, and smart energy conservation. The committee meets semi-annually to assess the Company's progress in reducing water, electricity and waste usage to meet its goal to lower GHG emissions and promote renewable energy, and to report back to the ESG Steering Committee and Board of Directors. 2. TWM unveiled its "Circular Economy Cooperation Declaration" in 2019. In 2020, the Company transformed its fiber optic cable waste into bespoke furniture, including coffee tables and chairs, and bricks, and is assessing the viability of turning them into substitute steel. In 2021, it focused on recreating new value for ICT resources and smart devices. The Company has recycled 170,000 smartphones since 2008, reducing carbon emissions by 116,000 kilograms, and since 2015, has accepted 54,000 trade-ins of old devices for new ones, extending the lifecycle of smartphones and creating NT\$380 million in economic benefits. Recycling phones reduces waste, and precious metals recovered from the phones, e.g. gold, silver and copper, are put into good use. The Company also plans to launch a program to donate refurbished pads and phones to non-profit organizations. At the same time, it has continuously improved the efficient use of resources, including paper, water, electricity and energy, and to promote the reduction and recycling of domestic waste (e.g., cables, batteries and cellphones).

Item	Current practices
3. Evaluating climate change risks and opportunities for the Company and taking action	<p>3. Climate change is incorporated into corporate risk management at TWM in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework.</p> <p>Governance The Environmental Management Committee is in charge of identifying and managing climate change risks and opportunities, reporting climate and environmental risk issues to the Risk Management Committee on a regular basis in accordance with the Company's risk management system. Relevant mitigation and adaptation projects are assessed and approved by the Risk Management Committee. In addition, the Risk Management Committee reports company risks(including climate risks) to the Board of Directors on an ad-hoc basis, allowing the board to supervise and provide guidance on formulating relevant strategies.</p> <p>Risk management A total of 12 climate risks were reviewed, 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 costs of transformation to low- carbon technology.</p> <p>Financial impact assessment An impact assessment on three risks selected from the four high climate risks was conducted to fully evaluate their financial effect on the Company.</p> <p>(1) Increase in demand and regulations relating to sustainability: Investment is estimated to reach NT\$12.6-15.0 billion in 2022-2030. (2) Increased frequency and severity of typhoons/hurricanes: Total losses due to typhoons in 2019-2030 are estimated to reach up to NT\$58 million. (3) Increase in the cost of transformation to low-carbon technology: Investment is estimated to reach NT\$2.05 billion in 2019-2030.</p> <p>Strategic objectives Based on the results of a financial impact assessment, five core strategies were set: (1) Strengthened climate-related financial impact disclosures (2) Smart energy conservation in telecommunication facilities and base stations (3) Green energy procurement (4) Green energy generation for self-use (5) Green energy investment</p>

Item	Current practices																						
4. Statistics on GHG emissions, water consumption and waste, and formulation of environmental sustainability policies	<p>4. The Company's Environmental and Energy Policy comprises four main aspects: compliance with environmental protection regulations, green purchasing to achieve an ecological balance, sustainability through recycling of resources, and energy conservation and carbon reduction.</p> <p>Statistics on GHG emissions, water consumption and waste for 2020-2021 are detailed below:</p> <table><tr><th colspan="2">Category</th><th>2020</th><th>2021*</th></tr><tr><td rowspan="3">GHG emissions (ton-CO₂e)</td><td>Scopes 1+2 location based</td><td>240,705.32</td><td>275,302.34</td></tr><tr><td>Scopes 1+2 market based</td><td>240,705.32</td><td>275,302.34</td></tr><tr><td>Scope 3</td><td>425,337.05</td><td>350,484.78</td></tr><tr><td colspan="2">Water consumption (m³)</td><td>303,060</td><td>278,827</td></tr><tr><td colspan="2">Waste disposed (tons)**</td><td>1,949.05</td><td>1,625.07</td></tr></table> <p>*The increase in GHG emissions was due to the rise in electricity consumption for 5G deployment. In response, we have been pursuing ways to purchase renewable energy from outside sources, minimize our impact on the environment by actively saving energy, and cutting carbon emissions.</p> <p>** Adjustments in the calculation of the waste disposed target and 2020 waste disposed were revised accordingly.</p>	Category		2020	2021*	GHG emissions (ton-CO ₂ e)	Scopes 1+2 location based	240,705.32	275,302.34	Scopes 1+2 market based	240,705.32	275,302.34	Scope 3	425,337.05	350,484.78	Water consumption (m ³)		303,060	278,827	Waste disposed (tons)**		1,949.05	1,625.07
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Water consumption (m ³)		303,060	278,827																				
Waste disposed (tons)**		1,949.05	1,625.07																				

Item	Current practices
<p>Commitment to corporate social responsibility</p> <ol style="list-style-type: none"> 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 2. Establishing reasonable employee benefits measures (such as remuneration and leave policy) and linking company performance to employee compensation 3. Providing employees with a safe and healthy working environment, as well as regular training on safety and health education 4. Developing individual training plans for career development 	<ol style="list-style-type: none"> 1. Pursuant to related national regulations, including the Labor Standards Act, Employment Services Act, Gender Equality in Employment Act and International Bill of Human Rights, the Company has never employed child workers, discriminated against any employee or ethnic group, or forced its employees to work. 2. The Company offers a well-rounded benefits package. Our Employee Welfare Committee is responsible for planning and implementing various benefits, including general benefits, birthday allowance, holiday vouchers, childbirth allowance, childcare subsidy, 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 working hours, and work-from-home as an option. The Company values the importance of diversity and equality in the workplace. It has continuously educated its employees about the value of diversity and resisting unconscious bias in order to build an inclusive workplace. Employee compensation, benefits, promotion, training and other rights in employment are not affected by gender, sexual orientation, marriage status, etc. Women comprise 42.7% of the Company's workforce and 47.7% of its management. 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. 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. 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. From new recruits to top executives, the Company provides different training programs to meet employees' needs at different stages in their career.

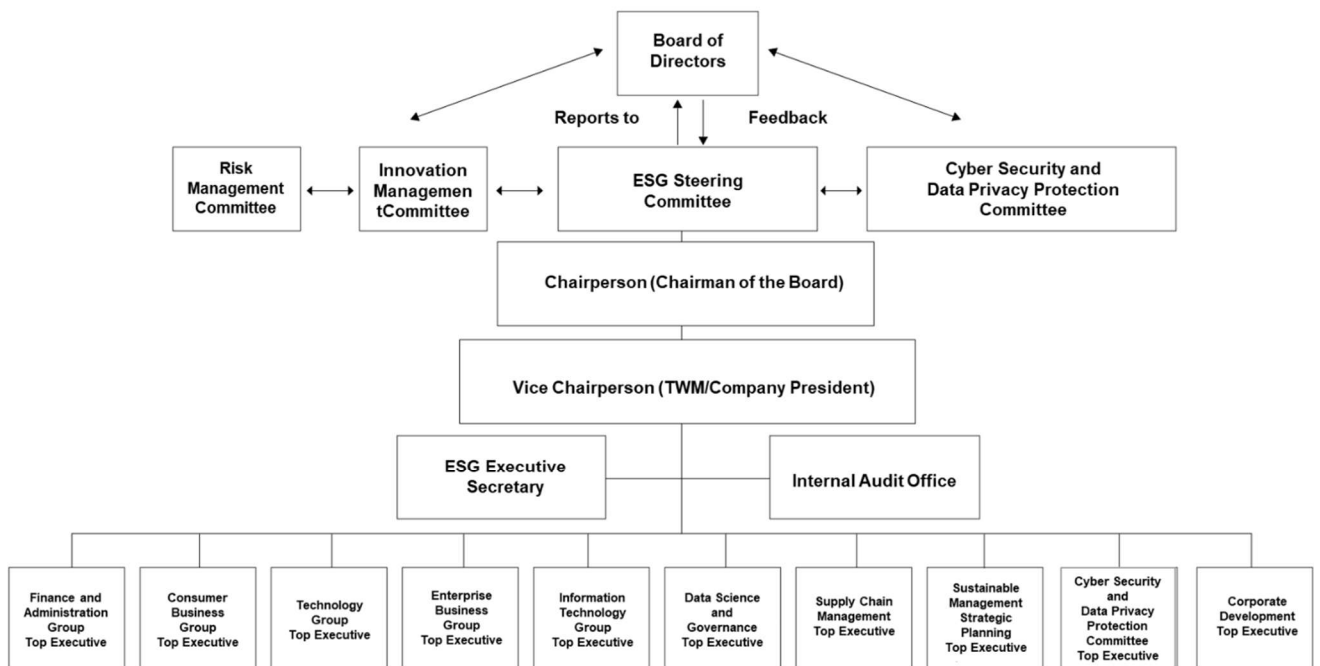
Item	Current practices
<p>5. Complying with relevant regulations and international standards on marketing and labeling of products and services</p>	<p>5. TWM's mobile base stations were constructed in accordance with relevant laws and regulations and passed base station electromagnetic checks by the National Communications Commission, having fully complied with the International Commission on Non-Ionizing Radiation Protection standards.</p> <p>The Company holds "ISO/IEC 27001 Information Security Management System" and BS 10012 and ISO 27701 "Privacy Protection Management System" certifications. It established an Information Communication and Personal Information Privacy Security Committee, which has invested a lot of resources to comply strictly with various management and control requirements. Every six months, the Company conducts internal and external audits to ensure management quality.</p> <p>The Company abides by the Consumer Protection Law and the Fair Trade Law, and conducts internal legal reviews before launching new marketing ads.</p> <p>The Company has provided a variety of service channels for customers to submit complaints or suggestions to provide them with world-class mobile services. The Company has passed the Swiss SGS Qualicert service verification for 10 consecutive years.</p>
<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 requires 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.</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 ESG 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 2022, the Company published its 2021 ESG report in conformity with the GRI Sustainability Reporting Standards' "comprehensive" options. A limited assurance of the report's content was performed by KPMG, a reputable independent institution, in accordance with the Assurance Standard No. 1 of the Republic of China. The report also conforms to the Sustainability Accounting Standards Board (SASB) Standards.</p>

The Company's ESG policy and practices fully comply with the ESG Best Practice Principles for TWSE/GTSM Listed Companies.

The concept of ESG is embedded in the strategic decisions and daily operations of all departments. The Board of Directors approved the "Taiwan Mobile ESG Policy" and "Taiwan Mobile ESG Guidelines" in 2011 and 2015, respectively, serving as long-term guidelines for promoting sustainability, 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 ESG-related matters:

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



Ethical corporate management

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

Item	Current practices
<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, the Compensation Committee and the 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 such practices. The Company also conducts related training courses (including integrity management regulations compliance, telecommunications management and personal information protection and internal controls) upon request to strengthen colleagues’ awareness. From January 1, 2021 to February 23, 2022, a total of 12,442.4 training hours were held, with 31,877 participants.</p>

Item	Current practices
<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 2021 ESG 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) To improve its ethical corporate management policy, the Company regularly monitors local and international developments in ethical corporate management standards to keep its Ethical Corporate Management Best Practice Principles and Operating Rules of Ethical Corporate Management Principles up to date.</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 and Standard Operating Protocols 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.

Additional information on corporate governance operations:

Corporate governance principles

- Timely disclosure of material information
- Checks and balances between the board and management
- Independent directors should comprise at least 40% of the board: Current ratio is 56%
- Audit Committee was established to ensure fair and independent financial oversight
- Remuneration and Nomination Committee was established to bolster 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 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 holds annual training sessions to familiarize employees with the Regulations Governing Internal Material Information and have incorporated them into its internal control system to avoid insider trading risks.

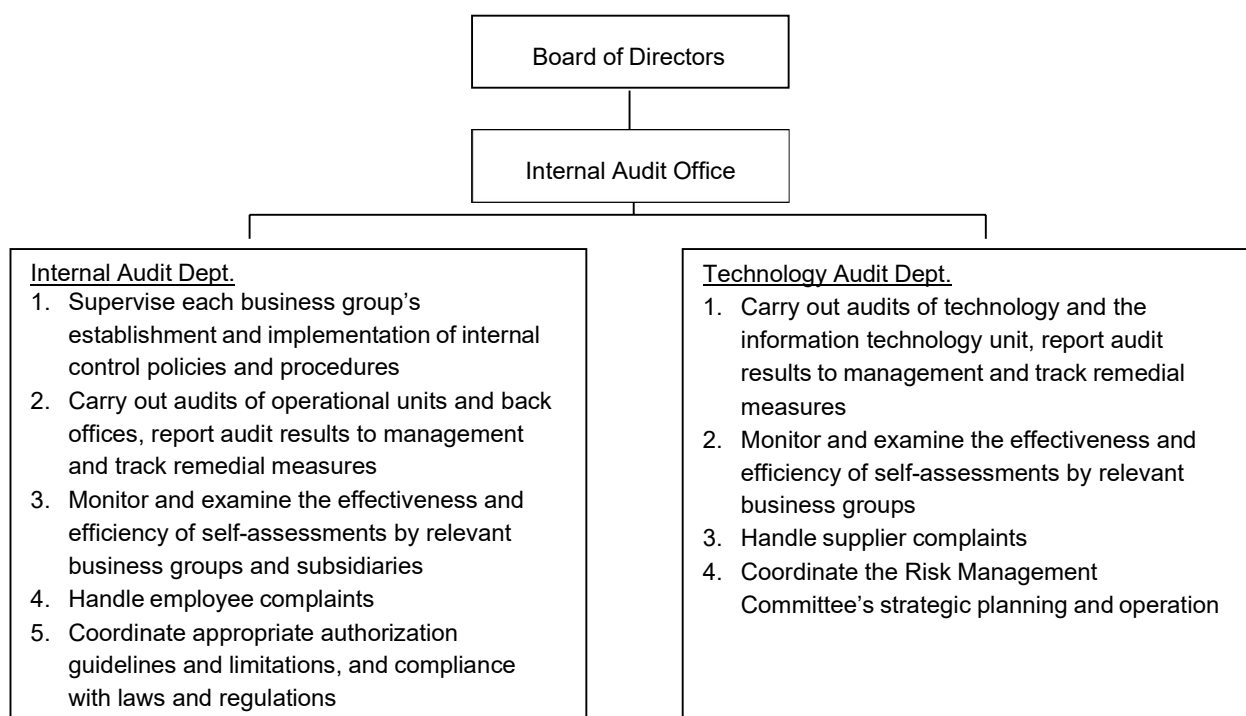
Internal control system

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 25, 2022

Taiwan Mobile (TWM) states the following with regard to its internal control system for the year 2021:

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, 2021, 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 25, 2022, 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 2021 shareholders' meeting

Issues approved and subsequent execution:

- (1) 2020 business report and financial statements
- (2) Distribution of 2020 earnings and cash return from capital surplus
Execution: Ex-dividend date was set for August 29, 2021, and cash payment of NT\$4.29953 per share on September 11, 2021.
- (3) Revisions to the Company's Articles of Incorporation
Execution: Approved by the Ministry of Economic Affairs on October 4, 2021, the revised rules were posted on the Company's website.
- (4) Removal of non-competition restrictions on board directors
Execution: Published on MOPS on August 20, 2021.

2. Major resolutions by the board (from 2021 up to the publication date in 2022)

1. 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
2. 6th meeting of ninth 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
3. 7th meeting of ninth BoD on May 4, 2021
 - (1) Approved the 2020 earnings distribution proposal and cash return from capital surplus
 - (2) Approved the 1Q21 financial statements
 - (3) Approved the issuance of unsecured straight corporate bonds
 - (4) Approved the acquisition or disposal of right-of-use assets
4. 8th meeting of ninth BoD on July 15, 2021
 - (1) Approved the change of date and place for 2021 AGM
 - (2) Approved the ex-dividend record date of 2020 for cash dividend and cash return out of capital surplus
 - (3) Approved a proposal to participate in the new share offering of 100%-owned TWM Venture Co., Ltd. (Total transaction amount: NT\$570 million)
5. 9th meeting of ninth BoD on August 5, 2021
 - (1) Approved the 2Q21 financial statements
 - (2) Approved the acquisition or disposal of right-of-use assets
6. 10th meeting of ninth BoD on November 4, 2021
 - (1) Approved the 3Q21 financial statements
 - (2) Approved the acquisition or disposal of right-of-use assets
7. 11th meeting of ninth BoD on December 30, 2021
 - (1) Approved the merger of Taiwan Star into Taiwan Mobile
8. 12th meeting of ninth BoD on January 25, 2022
 - (1) Approved the 2022 capital expenditure plan and donation to TWM Foundation
 - (2) Approved the 2022 guidance
 - (3) Approved executive personnel changes
 - (4) Approved the procurement of mobile broadband equipment
 - (5) Approved a proposal to participate in the new share offering of 100%-owned TWM Venture Co., Ltd. (Total transaction amount was NT\$2.8 billion)

9. 13th meeting of ninth BoD on February 22, 2022
- (1) Approved executive personnel changes
 - (2) Approved the 2021 business report and financial statements
 - (3) Approved the schedule for the 2022 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 2021 up to the publication date in 2022: 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 23, 2022

Title	Name	Date of taking office	Date of resignation	Reason for resignation/discharge
Vice President and Chief Information Officer	James Chang	2017/01/25	2022/01/01	Retirement

Certified Public Accountant (CPA) Information

1. CPA service fees

Unit: NT\$'000

Accounting firm	Name of CPA	Period covered by CPA's audit	Audit fee	Non-audit fee (Note)	Total	Remarks
Deloitte & Touche	Pei-De Chen	2021.01.01~ 2021.12.31	7,790	4,888	12,678	Reason for CPA change was due to job rotations at Deloitte & Touche from the fourth quarter of 2021.
	Kwan-Chung Lai	2021.01.01~ 2021.09.30				
	Te-Chen Cheng	2021.10.01~ 2021.12.31				

Note: Fees for non-audit services were mainly for tax certifications, tax-related consultations, consulting services and attestation services.

- (1) 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
- (2) If the audit fee dropped by more than 10%, specify the amount and percentage of decline and reasons:
The audit fee dropped by NT\$1.393 million, or, 15%, mainly due to regulatory changes in the classification of tax certification fee, which was classified under non-audit fee in 2021.

2. Information on CPA changes:

(1) Former CPA

Date of change	Approved by the Board of Directors on January 25, 2022		
Reason for change	Due to job rotations at Deloitte & Touche from the fourth quarter of 2021		
Specify whether services/engagement were terminated/refused	<div>Party</div> <div>Conditions</div>	CPA	Company
	Termination	Not applicable	Not applicable
	Refusal of new mandate	Not applicable	Not applicable
Has any audit opinion, other than an unqualified opinion, been issued in the past two years? If yes, cite reasons.	None		
Disagreement with securities issuer	Yes		Accounting principles and practices
			Disclosure of financial statements
			Audit scope or procedures
			Others
	No	v	
	Explanation: None		
Other disclosure items	None		

(2) Current CPA

Name of company	Deloitte & Touche
Name of CPA	Pei-De Chen, Te-Chen Cheng
Date of engagement	Approved by the Board of Directors on January 25, 2022
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

3. 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, 2021

Unit: shares, %,

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.	217,500,000	100.00	—	—	217,500,000	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	1,005,000	40.20	2,280,000	91.20

Note: Investments accounted for using equity method

Changes in shareholdings of directors, managers and major shareholders

1. Minor changes in shareholder structure

Unit: shares

Title	Name	2021		2022 (as of February 23)	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding	Net change in shares pledged
Chairman	Fu Chi Investment Co., Ltd. Representative: Daniel M. Tsai	0	0	0	0
Director	Fu Chi Investment Co., Ltd. Representative: Richard M. Tsai				
Director	Fu Chi Investment Co., Ltd. Representative: Chris Tsai				
Director	TCC Investment Co., Ltd. Representative: 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	0	0	0	0
Independent Director	Drina Yue	0	0	0	0
Major Shareholder (shareholding of more than 10%)	TFN Union Investment Co., Ltd.	0	0	0	0
President	Jamie Lin	63,000	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 Data Officer	Eddie Chan	0	0	0	0
VP and Chief Information Officer	Rock Tsai (Took office on February 22, 2022)	NA	NA	0	0
Vice President	C.H. Wu	0	0	0	0
Vice President	Steve Chou	0	0	0	0
Vice President	Tim Lee	0	0	0	0
Vice President	Kate Chen (Took office on July 01, 2021)	0	0	0	0
Vice President	Jay Hong	0	0	0	0
Vice President	Shirley Chu	0	0	0	0
Vice President	Joan Hung	0	0	0	0
Vice President	Ming-Tung Wu (Took office on July 01, 2021)	0	0	0	0
Vice President	David Lin	0	0	0	0
Vice President	Naomi Lee	0	0	0	0
Vice President	Iris Liu	0	0	0	0
Vice President	Daphne Lee	0	0	0	0

Title	Name	2021		2022 (as of February 23)	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding	Net change in shares pledged
Vice President	Michael Teng	0	0	0	0
Chief Accounting Officer	Darren Shih	0	0	0	0
VP and Chief Information Officer	James Chang (Retired on January 1, 2022)	0	0	0	0

2. Shareholding transferred with related party: None

3. Stock pledged with related party: None

Relationship between TWM's top 10 shareholders

As of August 29, 2021

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	11.69%	–	–	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.	279,521,000	7.96%	–	–	None	None
Chairman: Bo-Jheng Pan	–	–	–	–	None	None
Cathay Life Insurance Co., Ltd.	209,308,900	5.96%	–	–	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
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

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's top 10 shareholders who are defined as related parties, spouse or a relative within two degrees	
	Shares	%	Shares	%	Name (B)	Relationship
Ming Dong Co., Ltd.	184,736,452	5.26%	–	–	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
Dao Ying Co., Ltd.	113,609,742	3.23%	–	–	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

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
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
TCCI Investment and Development Co., Ltd.	87,589,556	2.49%	—	—	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 3,512,721,670 as of August 29, 2021.

Chapter 3 Financial Information

Capital and shares

Source of capital

As of February 23, 2022

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
Nov. 2021	10	6,000,000,000	60,000,000,000	3,513,520,139	35,135,201,390	Convertible bonds: 10,986,780	—	Authorization No. 1050043485 Nov. 7, 2016
Feb. 2022	10	6,000,000,000	60,000,000,000	3,519,233,603	35,192,336,030	Convertible bonds: 57,134,640	—	Authorization No. 1050043485 Nov. 7, 2016

As of February 23, 2022

	Authorized capital			Remarks
	Listed shares	Unissued shares	Total	
Common stock	3,519,233,603	2,480,766,397	6,000,000,000	None

Information related to shelf registration: None

Shareholder structure

As of August 29, 2021

	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions & individuals	Total
No. of shareholders	7	23	374	70,649	823	71,876
Total shares owned	262,628,156	836,084,459	1,425,620,310	462,840,979	525,547,766	3,512,721,670
Holding percentage	7.48%	23.80%	40.58%	13.18%	14.96%	100.00%

Shareholding distribution

As of August 29, 2021

1. Common shares

Shareholding range	No. of shareholders	Total shares owned	Holding percentage
1 ~ 999	18,173	5,253,521	0.15%
1,000 ~ 5,000	43,025	85,347,709	2.43%
5,001 ~ 10,000	5,579	43,272,723	1.23%
10,001 ~ 15,000	1,566	19,841,716	0.57%
15,001 ~ 20,000	1,000	18,389,889	0.52%
20,001 ~ 30,000	843	21,515,892	0.61%
30,001 ~ 40,000	403	14,321,036	0.41%
40,001 ~ 50,000	245	11,374,933	0.32%
50,001 ~ 100,000	413	29,402,130	0.84%
100,001 ~ 200,000	202	29,231,642	0.83%
200,001 ~ 400,000	126	34,799,492	0.99%
400,001 ~ 600,000	57	27,957,360	0.80%
600,001 ~ 800,000	36	25,266,267	0.72%
800,001 ~ 1,000,000	24	22,030,065	0.63%
1,000,001 and above	184	3,124,717,295	88.95%
Total	71,876	3,512,721,670	100.00%

2. Preferred shares: None

Major shareholders

As of August 29, 2021

Name	Total shares owned	Holding percentage (Note)
TFN Union Investment Co., Ltd.	410,665,284	11.69%
Shin Kong Life Insurance Co., Ltd.	279,521,000	7.96%
Cathay Life Insurance Co., Ltd.	209,308,900	5.96%
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	3.23%
Richard M. Tsai	93,310,663	2.66%
TCCI Investment & Development Co., Ltd.	87,589,556	2.49%
Daniel M. Tsai	65,162,715	1.86%

Note: Shareholding percentage was calculated based on outstanding shares of 3,512,721,670 as of August 29, 2021.

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

		2020	2021	As of February 23, 2022
Share price (NT\$)	High	116.50	109.50	107.00
	Low	95.00	95.50	98.80
	Average	103.82	99.85	101.68
Net worth per share (NT\$)	Before earnings appropriation	23.23	23.23	—
	After earnings appropriation	18.93	(Note 1)	—
Earnings per share (NT\$)	Adjusted weighted average outstanding shares (‘000 shares)	2,811,916	2,814,930	—
	Earnings per share	4.01	3.90	—
Dividends per share (NT\$)	Cash dividends	4.29953	(Note 1)	—
	Stock dividends	—	(Note 1)	—
		—	(Note 1)	—
	Accumulated unpaid dividends	—	—	—
PE and dividend yield (Note 2)	Price earnings ratio (x)	25.89	25.60	—
	Price to cash dividend (x)	24.15	—	—
	Cash dividend yield (%)	4.14	—	—

Note 1: The appropriation amount for 2021 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 2021 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 2021 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 the publication date, the difference should be treated as changes in accounting estimates and adjusted in the following year.

3. 2021 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 2021 employee bonuses and directors' compensation approved by the BoD on February 22, 2022 totaled NT\$362.061 million and NT\$36.206 million, respectively, in the form of cash, while the accrued amounts in the 2021 financial reports are same as cash compensation.

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

2020 employee bonuses and directors' compensation approved by the BoD and actual distribution:

Unit: NT\$'000	Employee bonuses	Directors' compensation
Accrued amount	390,869	39,087
Actual distribution	386,647	39,087
Difference	4,222	0

Note: The differences between the actual distribution and the accrued amount were treated as changes in employee number and adjusted in 2021.

Share buyback: None

Corporate bond issuance

Corporate bonds

As of February 23, 2022

Issuance		Fifth Unsecured Corporate Bond	Sixth Unsecured Corporate Bond	Seventh Unsecured Corporate Bond
Issue date		April 20, 2018	March 24, 2020	July 13, 2021
Denomination		NT\$10,000,000	NT\$10,000,000	NT\$10,000,000
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\$2,500,000,000
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.	0.53% 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	7 years, maturing on July 13, 2028
Guarantor		None	None	None
Trustee		Bank of Taiwan	Bank of Taiwan	Bank of Taiwan
Underwriter		Yuanta Securities Co., Ltd.	KGI Securities Co., Ltd.	Fubon Securities Co., Ltd.
Legal counsel		Jim Chen, Attorney	Jim Chen, Attorney	Ariel Hwang, Attorney
Auditor		Li-wen Kuo, CPA, and Kwan-chuang Lai, CPA, Deloitte & Touche	Li-wen Kuo, CPA, and Kwan-chuang Lai, CPA, Deloitte & Touche	Pei-De Chen, CPA, and Kwan-chuang Lai, CPA, Deloitte & Touche
Repayment		Bullet repayment	Bullet repayment	Bullet repayment
Outstanding balance		NT\$15,000,000,000	NT\$20,000,000,000	NT\$2,500,000,000
Early repayment clause		None	None	None
Covenants		None	None	None
Credit rating agency, rating date, company credit rating		None	None	None
Ancillary rights	Amount converted/exchanged into common shares, ADRs or other securities	Not applicable	Not applicable	Not applicable
	Rules governing issuance or conversion (exchanged or subscription)	Not applicable	Not applicable	Not applicable
Dilution and other effects on shareholders' equity		Not applicable	Not applicable	Not applicable
Custodian		Not applicable	Not applicable	Not applicable

Convertible bond information: None

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:

1. Completed mergers and acquisitions: None
2. Board of directors' resolution:

Taiwan Mobile's board of directors reached a resolution to merge Taiwan Star Telecom Co., Ltd. (T Star) on December 30, 2021. The merger proposes a stock exchange ratio of 1 T-Star ordinary share for 0.04508 Taiwan Mobile ordinary share. The merger has to be approved by the National Communications Commission and the Fair Trade Commission. The surviving entity will be Taiwan Mobile, while T Star will be dissolved. The merger would be value accretive to shareholders.

Mergers and acquisitions:

Name of the company			Taiwan Star Telecom Corp Ltd.
Address of the company			6F, No. 239, Tiding Avenue, Sec. 2, Neihu District, Taipei
Responsible person			Lin Ching-Tang
Paid-in capital (NT\$)*			52,968,710
Mobile service/product lines			Telecommunications industry, etc.
Financial data (Unit: NT'000)	December 31, 2021	Total assets	59,236,630
		Total liabilities	38,732,263
		Total shareholders' equity	20,504,367
	For the year ended December 31, 2021	Operating revenue	12,765,338
		Gross profit	1,743,919
		Operating profit and loss	(2,339,700)
		Net income (loss)	(3,531,168)
		EPS (NT\$)	(0.67)

*Source: T Star 2021 financial report

Use of proceeds from rights issue: None

Chapter 4 Operational Highlights

Performance by division

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

Unit: NT\$m

	Telecom business		Cable TV business	Retail business
	Mobile business	Fixed-line broadband business		
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 (w/o 040)	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
2021 revenue*	64,012		6,237	88,397
2021 EBIT*	9,600		2,176	4,042

* Source: 2021 financial reports. The difference between the sum of each division and consolidated numbers was due to interdivisional 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 communications technology (ICT) integration service solutions to enterprise clients. In addition to providing basic telecommunication services, the Enterprise Business Group can

serve as an enterprise's partner in the fields of 5G solutions, cloud services, AIoT, Internet of Vehicles and information security.

2. Telecom revenue breakdown

Unit: NT\$mn

Item \ Year	2021	
	Revenue	% of total
Service revenue	45,233	71%
Device sales	18,779	29%
Total	64,012	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, home security, smart lighting, etc. – to create an all-in-one solution for Smarter Home users.
- (2) Smarter Home consultant : Assemble product trainers from various brands and provide consulting services for target customers, such as construction companies and interior decorators, to build smarter homes.
- (3) The Company utilizes its unique IoT wearable devices to establish new contact points with subscribers, and through these new methods, collect broader and deeper data to develop new content and apps such as healthcare and fitness services.

Enterprise Business Group

- (1) Public cloud services and hybrid cloud solutions:

Provide diverse and flexible cloud services through close cooperation with enterprises such as AWS. The Enterprise Business Group also plans to form a strategic alliance with CloudMile, integrating telecom resources with Google cloud to offer businesses AI and industrial solutions.

The Enterprise Business Group launched TWCC AI cloud services to provide AI training platforms and hybrid cloud solutions through joint projects with the government.

- (2) AI and industrial solutions:

Provide one-stop AI services for enterprises based on different industrial scenarios, such as smart manufacturing and smart marketing, while continuously creating innovative services, such as our self-developed software-defined wide area network (SD-WAN), flexible bandwidth pricing, and proactive monitoring of external connection service quality.

- (3) 5G/Internet of Vehicles:

Increase the number of private 5G network POC cases and industry application cases, and actively pursue 5G ORAN and 5G vertical application certification and mechanisms. The goal is to develop new services for MyFleet and new IoT platform services (e.g., IoTBS, IoTA and eSIM).

Cable TV and Broadband (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	2021	
	Revenue	% of total
Pay TV service	3,268	53%
Cable broadband service	1,760	28%
TV content agency and others*	1,209	19%
Total	6,237	100%

* Including channel leasing revenue

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 its 1Gbps+WiFi 6 service in 2020, and aims to offer even faster access in the near future.

(3) Digital home services:

The Company is developing multiple value-added services, such as IoT, cloud games and smart home applications.

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 3.5 million stock keeping units (SKUs), a quarter 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

momo has its own professional studio and filming team that provides momo TV programs to 5 million cable TV and 2.1 million MOD households nationwide.

0800 toll-free hotline and mobile app allow 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, as well as purchase and return policy.

2. Retail revenue breakdown

Unit: NT\$mn

Item \ Year	2021	
	Revenue	% of total
E-commerce	83,067	94%
TV home shopping and others	5,330	6%
Total	88,397	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 vehicles and fresh food, to boost sales. Its TV home shopping platform has also developed new product categories, and introduced more overseas niche products to enhance its unique platform and broaden its customer base.
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.
- (2) 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' operations, 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 livestreaming influencer and major OTT operators.
- (3) momo plans to set up a logistics center in southern Taiwan to improve shipping efficiency.

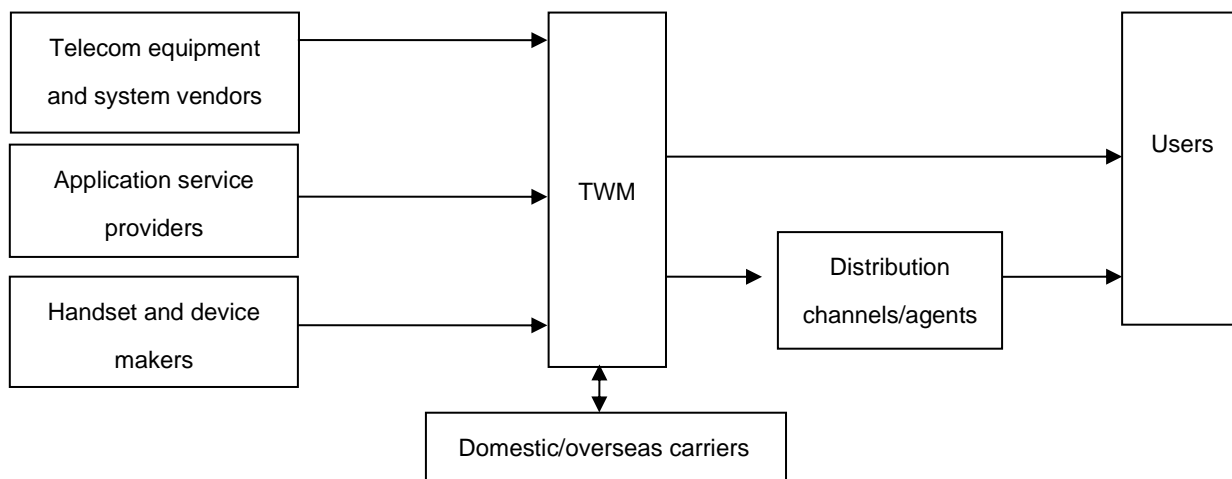
Industry overview

Consumer Business Group

1. Industry status and development

5G network infrastructure buildout has peaked since 5G services were launched nearly two years ago. Taiwan's 5G population coverage has reached more than 80% to 90%. The massive investment that 5G required has compelled smaller telecom firms to form alliances with major telecom companies, such as Asia Pacific and Far EasTone sharing 5G spectrum and network, and Taiwan Mobile signing a merger agreement with Taiwan Star, which would establish a new milestone once it is approved by the National Communications Commission.

2. Industry value chain



3. Product development trends and competitive landscape

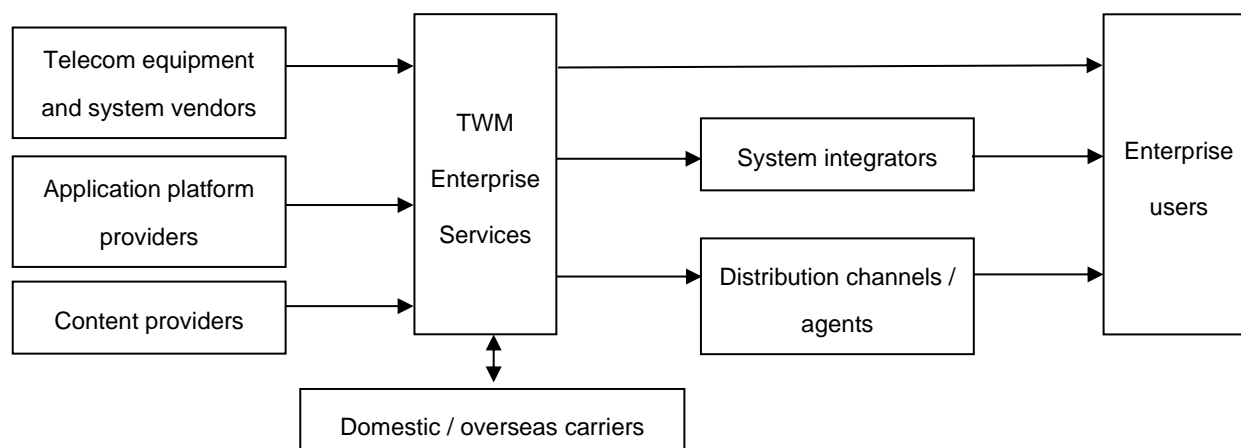
As telecom companies focus on upgrading users' revenue contribution, competition in the market should become more rational. Low-priced unlimited full-speed data plans would be phased out, as smaller telecom operators are acquired by big players. Telecom companies would offer a variety of mobile-OTT mixed plans to enhance product differentiation. The battle for 5G consumers would move from the mobile market to smart home and IoT devices, ushering in a new and better communication experience for users.

Enterprise Business Group

1. Industry status and development

The COVID-19 pandemic is accelerating the digital transformation of enterprises. Telecom companies now have more opportunities: Aside from basic telecommunication services, they can also provide customers with more diverse and flexible integrated solutions in the fields of 5G, AIoT, cloud services and information security.

2. Industry value chain



3. Product development trends and competitive landscape

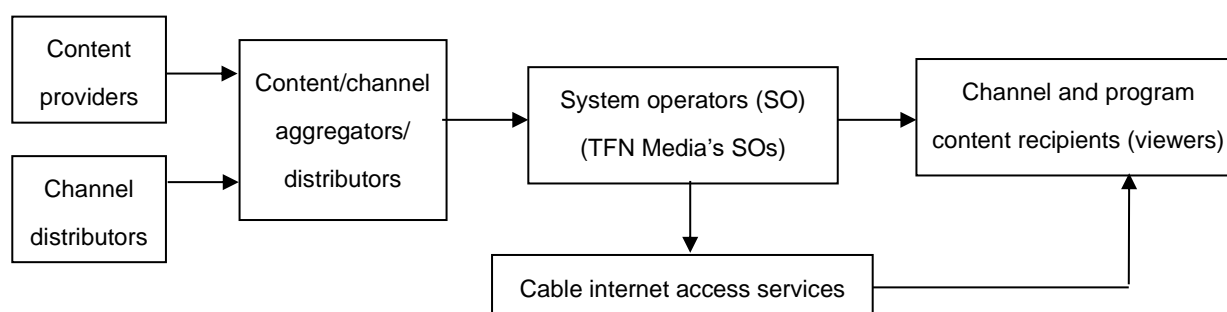
Chunghwa Telecom (CHT) is TWM's primary rival in the enterprise market. With the vigorous development of the 5G sector, the IoT, AI and 5G fields are becoming more closely connected, and cloud services are now adopting multi-cloud deployment models and hybrid clouds. Furthermore, the demand for vertical integration applications continues to increase, making cross-discipline cooperation even more 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 advancements in technology and the demand for 5G indoor coverage, 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.

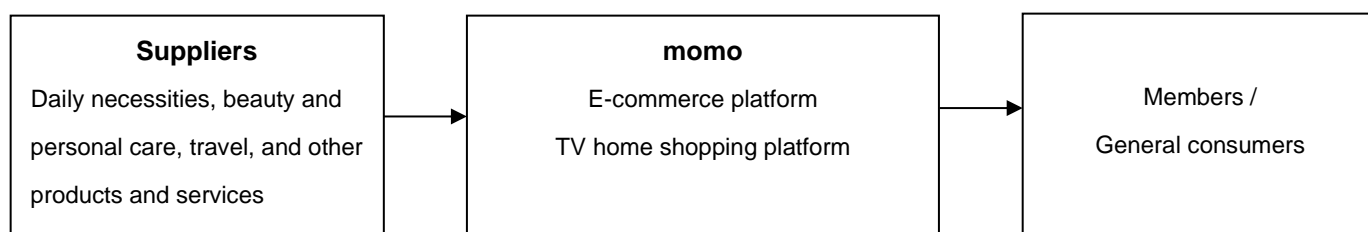
Retail Business

1. Industry status and development

In 2021, the penetration rate of e-commerce in Taiwan was about 15%, which was still lower than South Korea's and China's, implying ample room for growth.

As a leader in the B2C market, momo continues to build up its logistics and warehousing system, providing fast delivery services and a one-stop shopping experience for consumers, while expanding its economies of scale and raising barriers to entry in the B2C industry.

2. Industry value chain



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

3. Product development trends and competitive landscape

- (1) E-commerce: 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 challenge by collaborating with key opinion leaders or influencers, launching its own mobile apps and leveraging its social platform and capabilities, including livestreaming, to bolster engagement with its members and customer base.

Research and development expenditure

Research and development expenses totaled NT\$242.608 million in 2021 and NT\$21.34 million in January 2022. 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 network slicing resource management for 5G networks and path loss modeling based on path profile	Applying deep reinforcement learning to build an optimal model for network slicing resource management to achieve high-efficiency network resource sharing, dynamic slicing management, isolation and a highly flexible mobility management for network slicing. Path profile is used to build an accurate model to estimate path losses in metropolitan areas between base stations and receivers.
M+	Improve office collaboration functions and integrate cloud PBX to enrich voice communication for enterprise customers.
myVideo	Provide new types of content, including multi-angle livestreaming and interactive films. Integrate video service with Google smart speakers.
Smarter Home	Enable 070 VoIP service on Google smart speakers. Integrate more diversified home appliances and devices into our Smarter Home ecosystem.
MyMusic	Build a podcast platform with hybrid cloud architecture to provide more audio services. Integrate the recommendation system built by the Industrial Technology

Project name	Description
	Research Institute to provide more personalized experiences.
Number masking service	Establish a communication platform as a service (CPaaS), enabling people to communicate with each other without revealing their real phone number. This can help resolve data leak problems.
Cloud intelligent warehousing application using big data	Increase shipments by satellite warehouses to reduce repackaging, allowing for faster deliveries to customers and lowering logistics costs.

Sales development plans

Consumer Business Group

1. Short-term plan

- (1) The Company has an exclusive cooperation agreement with Disney+ to provide Disney+ bundle plans to attract telecom customers to convert to higher-rate plans and bolster customer stickiness.
- (2) The Company has deepened its cooperation with Google and approached potential smart home users by selling Google Nest products. To promote wireless speakers, Taiwan Mobile Smarter Home has launched related services, such as carrier calling (070), to benefit from cross-selling and increase customer stickiness.
- (3) To bolster 5G competitiveness, the Company has deepened its cooperation with momo and launched "momo plus" rate plans. The Company also offers TWM customers the choice of paying their mobile bills using momo coins. The Company plans to build a new channel on momo Shop to expand the momo ecosystem and benefit from the synergy of resources within Fubon Group.

2. Medium to long-term plan

- (1) To fulfill its Smarter Home vision, the Company is integrating its network environment, devices, data and services to provide users personalized intelligent automation services. It has provided Smarter Home-related installation services and smart home design consulting, and launched subscription-based services, such as home security, to achieve its goal of being the best smart home platform in Taiwan.
- (2) To accelerate the deployment of 5G in emerging fields and cross-industrial cooperation, the Company has developed applications for IoT devices, wearable devices and the Metaverse. It has also partnered with Nvidia to provide users with the ultimate 5G ultra-high-speed gaming experience, aiming to be a leader in the domestic cloud gaming market and increasing 5G penetration and overall revenue.

Enterprise Business Group

1. Short-term plan

- (1) Actively develop solutions for the financial and manufacturing industries; combine 5G with comprehensive information security, cloud, Internet of Vehicles and integrated services; launch multiple smart applications; and enter the industrial market.
- (2) Accelerate the development of cloud services and information security services to meet the cloud requirements of different types of enterprises and provide elite information security diagnostic services.

- (3) Develop innovative services for Internet of Vehicles, information security, M+ Enterprise Operator, cloud services, and private 5G networks; provide professional value-added services; and create value-added products.

2. Long-term plan

In addition to operating telecommunications services, the Company is targeting simultaneous development of AIoT, cloud services, information security, Internet of Vehicles and 5G test fields through the following:

- (1) Actively expand the industrial ecosystem, create cross-discipline vertical integration solutions, help corporate customers in their industrial transformation, and expand overseas markets.
- (2) Continue to develop diversified cloud services and information security services to speed up enterprise customers' digital transformation.
- (3) Improve the productivity growth of sales and strengthen the relationship between customers and our products.

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, as well as 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 experience 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 nationwide and international roaming services. The coverage includes Taiwan and the outlying islands of Kinmen and Matsu.

2. Market status

As of November 2021, the mobile subscription penetration rate was 126.5%. Although it is a mature market, 5G's commercialization offers exciting opportunities as demand for IoT, broadband, smart devices and value-added services surges.

3. Competitive advantages

- (1) Fubon Group's internal synergy
- (2) The Company provides integrated and diversified telecom-cable-e-commerce rate plans to increase customer stickiness and create a win-win ecosystem.
- (3) The Company has developed various services based on customers' problems and usage scenarios, such as multiple OTT-video and music streaming, online cloud gaming, and mobile plan rebates from e-commerce purchases. It has also launched the Taiwan Mobile Smarter Home app to solve connection issues across different brands. These solutions are aimed at enhancing service value and brand differentiation.

4. Opportunities and challenges

Positive factors

- (1) Diversified 5G applications should boost value-added services and increase revenue.
- (2) With the rise of the lazy economy, users are more concerned with life convenience, ushering in opportunities for smart home.
- (3) Smart home and an aging society should further promote related needs and business opportunities, such as home security.

Negative factors

- (1) Low knowledge and low involvement of smart home.
- (2) The cost of IoT production is still high, and users are unwilling to pay a high price for it.

Countermeasures

- (1) The Company plans to attract potential users with Google's brand power to encourage them to upgrade to smart home.
- (2) The Company is cooperating with more Taiwanese home appliance brands, helping them convert their products into IoT and co-developing the smart home market.

Enterprise Business Group

1. Main products and service areas

Taiwan Mobile Enterprise Services provides international services in 247 countries. As of the end of 2021, its roaming services covered the following: 3G: 183 countries, 354 networks; 4G: 117 countries, 207 networks; 5G: 43 countries, 58 networks.

2. Market status

The industry trends listed by the Market Intelligence and Consulting Institute (MIC) include the rise of Open RAN and the rich potential of private 5G network business. As a result, enterprises expect to have more diverse, comprehensive and customized private 5G network services. In terms of traditional services, revenue from voice services has continued to decline, but the COVID-19 pandemic has increased demand for fixed-network communication. With remote working and learning becoming a trend, the fixed-network communications business is expected to grow steadily.

3. Competitive advantages

- (1) Premium brand equity and customer relationship: Taiwan Mobile Enterprise Services is a brand under Taiwan Mobile, and it has long served as a flexible partner for corporate customers. It actively responds to customer needs, possesses a wealth of experience in assisting different types of customers, offers diversified services and has won recognition among major enterprises.
- (2) Professional management team and efficient support group: Taiwan Mobile Enterprise Services has experienced sales and logistics teams, possesses extensive corporate group resources, and has obtained multiple information security certifications. Its cloud IDC computer room also serves as a data center that has won Uptime Tier III certifications for design, construction and operational sustainability.
- (3) Industry ecosystem partner resources: The Company effectively integrates the advantages of partners and creates customized industry solutions for corporate customers.

4. Opportunities and challenges

Positive factors

- (1) The launch of 5G services creates more possibilities for the development of AI and IoT, providing unlimited business opportunities for various smart applications.
- (2) Companies have stepped up their digital transformations in the post-pandemic era, driving up demand for cloud and information security products.
- (3) TrendForce predicts that in 2022, the pandemic will accelerate the digital transformation of enterprises, and the adoption rates of new types of AR and VR applications, such as virtual conferencing, remote collaborations and simulation design, would also increase. Taiwan Mobile Enterprise Services has actively invested in related fields to seize market opportunities.

Negative factors

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

Countermeasures

The Company will continue to combine the advantages of its ecosystem partners, strengthen vertical integration capabilities, create more comprehensive 5G, AIoT, Internet of Vehicles, cloud, and information security services, and work with customers to carry out digital transformation and deepen customer adhesion.

Home Business Group

1. Main products and service areas

TWM Broadband's main service areas are New Taipei City's Xinzhuang and Xizhi 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) Backed by a solid base in smart home applications, TWM leads the industry in launching comprehensive services, such as A1 Box and HomeSecurity services.

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) The competitiveness of cable system operators (SO) expanding their service areas has been ebbing. However, they still pose a 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) With the launch of A1 Box – an open platform integrating cable TV channels and diverse OTT content – and 1Gbps+WiFi 6 service, TWM Broadband offers Smarter Home service, GeForce NOW cloud gaming and Disney+.

Retail Business

1. Main products and service areas

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

2. Market status

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

3. Competitive advantages

- (1) Scale benefit: momo is the largest B2C e-commerce 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 it, 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.

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 livestream 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 and 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

	2020				2021			
	Company	Procurement amount	As % of 2020 Total Net Procurement	Nature of relationship	Company	Procurement amount	As % of 2021 Total Net Procurement	Nature of relationship
1	Company A	8,555,514	10	Third party	Company A	13,111,786	12	Third party
	Others	76,771,168	90		Others	95,569,791	88	
	Total	85,326,682	100		Total	108,681,577	100	

2. Major customers:

Not applicable as the Company's revenue from a single customer did not exceed 10% of its consolidated 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		2020		2021	
		Sales volume	Revenue (NT\$'000)	Sales volume	Revenue (NT\$'000)
Mobile	Mobile services ('000 subs at year-end)	7,264	39,946,961	7,270	40,216,905
Domestic fixed telephony	Local calls ('000 minutes) ¹	243,016	446,242	233,294	443,466
	Long distance calls ('000 minutes) ¹	85,360	60,932	77,488	51,738
International fixed telephony	International calls ('000 minutes) ¹	44,784	665,186	27,997	485,141
Fixed-line data transmission ('000 lines)		198	2,564,409	243	2,652,809
Sales revenue ²		NA	81,100,093	NA	104,122,968
Others		NA	8,077,161	NA	8,136,506

Services	2020		2021	
	Sales volume	Revenue (NT\$'000)	Sales volume	Revenue (NT\$'000)
Total		132,860,984		156,109,533

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 the publication date

Year		2020	2021	2022 (as of February 23)
Number of employees	Consolidated	8,508	8,925	8,946
	Stand-alone	3,831	3,739	3,744
Education level	Ph.D.	0.20%	0.17%	0.18%
	Master's	13.52%	12.8%	12.96%
	University	59.59%	60.74%	60.57%
	College	15.30%	14.39%	14.43%
	Others	11.39%	11.90%	11.86%
Average age		38.08	38.27	38.37
Average years of service		8.19	8.32	8.41

Environmental Protection Expenditure

Loss or penalty due to environmental pollution in 2021 up to the publication date in 2022

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 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, exchanging old devices for new ones, 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).
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 childbirth and child-care subsidies. It also 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 working hours, and implements work-from-home as a regular system.

Employee training and education program

1. Training expenses up to January 31, 2022 totaled NT\$47,555,888, with 724,501 attendees taking a total of 495,195 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 and code of ethics; hold service training programs; organize book clubs; invite celebrity speakers; and screen humanist films.
4. Management training and development: Separate training programs for entry-level, middle 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 2022, the accumulated reserve fund was NT\$648,077,000.

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\$162,348,000 was deposited in 2021.

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. As an ISO 45001: 2018 (Occupational Safety and Health Management Systems) certified company, TWM strives 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 on employee health and sanitary improvement solutions.
4. Full-time professional nursing healthcare personnel are employed to perform health checks, track the progress of staff who failed their health examinations, and hold talks on health promotion. Employees who are able to administer first aid treatment have been placed in each work area.
5. Each office site is equipped with an automated external defibrillator and staffed with a sufficient number of first-aid personnel.

6. Fire/flood protection exercises are held 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 2021 up to the publication date in 2022:

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

Number of workplace injuries resulting in disabilities or fatalities in 2021 up to the publication date in 2022:

In 2021, there were five cases of workplace injuries caused by pinching, choking, slipping, falling or burns. To prevent recurrences, the Company has promoted health and safety measures, improved the safety awareness of employees, and revised rules and regulations to enhance workplace safety.

Year	2021	2022 (as of February 23)
Number of disabilities	5	0
Disabling injury frequency rate ¹	0.66	0
Disabling injury severity rate ²	6.92	0

Note 1: Based on the Ministry of Labor's definition of occupational accidents resulting in major disabling injuries, traffic accidents outside the workplace are not included.

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

Note 2: The number of working days lost due to fatalities and permanent total disabilities per million hours worked.

ICT security risk management

ICT security risk management framework, ICT security policy, specific management plan and resources invested in ICT security management

1. ICT security risk management framework

Based on the current risk management structure and operation mechanism, TWM's board of directors serves as the highest decision-making mechanism and has incorporated information security risks into the Company's overall personal information and information security management policies. The general manager, who leads the first-level control mechanism, has set up

the ICT and Personal Information Security Management Division, which is responsible for supervising and reviewing information security implementation, supervision and management. TWM has also installed a second-level control mechanism – the Cyber Security and Data Privacy Protection Committee – which is responsible for supervising and reviewing all matters concerning the implementation of the personal information and information security management system.

2. Company information security organizational structure

(1) Cyber Security and Data Privacy Protection Committee, which is composed of the following:

Chairperson: the general manager or the designated agent.

Number of vice-chairpersons: appointed by the general manager.

Committee members: The chairperson is responsible for the coordination of various operational functions by its top supervisor or his/her designated agent.

Information security officer: selected and appointed by the chairperson and vice-chairpersons.

(2) Schedule of meetings:

- Regular: Meetings are held every quarter on average
- Special/Extraordinary: When issues relating to ICT are proposed by members of the Cyber Security and Data Privacy Protection Committee and the Information Security Officer, a meeting will be held with the approval of the chairperson.

3. ICT security policy

The ICT security policy has been established to ensure the sustainable operation of TWM's business, strengthen the ICT security management system, ensure the confidentiality, integrity and availability of information communication assets, and meet the requirements of relevant laws and regulations to effectively and reasonably reduce enterprise operational risk.

4. Specific management plan

The following four management schemes have been adopted to ensure security maintenance of information communication:

- (1) External anti-hacking: Build intrusion prevention, network segmentation, firewall, web application firewall, etc.
- (2) Internal leakage prevention: Handle data leakage protection detection and gap reinforcement.
- (3) System planning and construction: Include system development security specifications, perform code scanning, etc.
- (4) Maintenance and operation monitoring: Build an information security monitoring center, check and analyze system records, and report and track abnormal conditions in real time.
- (5) Resources investment for ICT security management: Allocate a certain portion of the budget to ICT security.

In the most recent year up to the date of publication of the annual report, if the loss, possible impact and countermeasures of a major information security incident cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be explained.

In the most recent year **up** to the publication data of the annual report, there was no major information security incident, so there was no resultant loss or impact. TWM continues to promote information security operations as a preventive measure.

Major Contracts

As of February 23, 2022

Nature	Counterpart	Contract period	Description	Restriction clauses
Long-term credit facility	Sumitomo Mitsui Banking Corp., Taipei Branch	2021.01.31~2023.01.31	Long-term loan of NT\$4 billion	Non-disclosure
	Mizuho Bank, Ltd., Taipei Branch	2021.04.14~2023.04.14	Long-term loan of NT\$4 billion	Non-disclosure
	China Bills Finance Corp.	2020.12.24~2023.12.24	Long-term loan of NT\$1.5 billion	Non-disclosure
	China Bills Finance Corp.	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.	2014.11.01~ present	Sales and supply agreement	Non-disclosure
	New Boom Global Ltd. Taiwan Branch (Samoa)	2018.01.18~present	Sales and supply agreement	Non-disclosure
	Nokia Solutions and Networks Taiwan Co., Ltd.	2020.06.15~2023.05.31	Master supply agreement	Non-disclosure
Merger	Taiwan Star Telecom Corp. Ltd.	2021.12.30~2022.12.31	100% acquisition of Taiwan Star shares	Non-disclosure
Affiliates				
Nature	Counterpart	Contract period	Description	Restriction clauses
Equity transfer agreement	Itochu Corp.	2021.02.18	Equity transaction	Non-disclosure

Nature	Counterpart	Contract period	Description	Restriction clauses
Program broadcasting agreement	China Network Systems Co., Ltd.	2021.01.01~2023.12.31	Consign and authorize advertisements of TV shopping for public broadcast to cable TV viewers	Non-disclosure
Lease agreement	Fubon Life Insurance Co., Ltd.	2018.08.01~2023.07.31	momo office building	Non-disclosure
	Zong Sine Industries Inc.	2021.06.08~2033.05.31	Lease contract for warehouse	Non-disclosure
Land purchase	Tung Chin Textile Co., Ltd.	2021.09.03	momo purchased a plot of land in Changhua	None
Contract agreement	Li Jin Engineering Co., Ltd.	2021.05.05	Contract agreement	Non-disclosure

Chapter 5 Financial Highlights

Condensed Balance Sheets and Statements of Comprehensive Income

Consolidated condensed balance sheet (2017-2021)

Unit: NT\$'000

		2017	2018	2019	2020	2021
Current assets		32,351,117	29,068,887	29,905,700	32,092,794	38,652,038
Investments		6,049,714	6,199,506	6,723,913	4,256,640	5,856,891
Property, plant and equipment (PP&E)		41,603,421	38,855,960	36,182,005	42,479,314	43,439,740
Intangible assets		65,372,820	62,175,645	59,078,475	85,766,511	81,327,563
Other assets		9,145,682	11,367,030	22,029,866	19,989,343	21,706,295
Total assets		154,522,754	147,667,028	153,919,959	184,584,602	190,982,527
Current liabilities	Before appropriation	56,479,086	41,883,503	44,522,956	58,532,319	59,486,772
	After appropriation	71,722,741	57,249,726	57,873,424	70,631,100	(Note1)
Non-current liabilities		32,532,067	37,789,829	35,220,728	54,062,071	58,218,757
Total liabilities	Before appropriation	89,011,153	79,673,332	79,743,684	112,594,390	117,705,529
	After appropriation	104,254,808	95,039,555	93,094,152	124,693,171	(Note1)
Equity attributable to owners of the parent company		59,631,863	61,881,520	68,017,291	65,365,100	65,533,753
Paid-in capital		34,208,328	34,238,338	35,093,545	35,124,215	35,192,336
Capital surplus	Before appropriation	13,939,278	12,580,692	20,274,694	18,936,574	16,903,239
	After appropriation	12,306,029	12,580,692	18,681,070	16,358,971	(Note1)
Retained earnings	Before appropriation	41,564,304	44,875,215	41,927,491	43,471,394	44,978,937
	After appropriation	27,953,898	29,508,992	30,170,647	33,950,216	(Note1)
Other equity interests		(362,703)	(95,381)	438,905	(2,449,739)	(1,823,415)
Treasury stock		(29,717,344)	(29,717,344)	(29,717,344)	(29,717,344)	(29,717,344)
Non-controlling interest		5,879,738	6,112,176	6,158,984	6,625,112	7,743,245
Total equity	Before appropriation	65,511,601	67,993,696	74,176,275	71,990,212	73,276,998
	After appropriation	50,267,946	52,627,473	60,825,807	59,891,431	(Note1)

Note 1: The appropriation amount for 2021 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 (2017-2021)

Unit: NT\$'000

		2017	2018	2019	2020	2021
Current assets		21,583,398	17,738,839	16,835,738	16,039,175	16,800,099
Investments		43,077,320	43,791,521	45,171,026	47,242,230	47,874,612
Property, plant and equipment (PP&E)		24,193,665	22,249,874	19,711,168	25,327,616	25,967,927
Intangible assets		44,004,623	41,053,072	38,300,915	65,347,011	61,234,729
Other assets		8,110,376	10,229,894	19,087,499	16,914,811	18,105,193
Total assets		140,969,382	135,063,200	139,106,346	170,870,843	169,982,560
Current liabilities	Before appropriation	54,419,482	40,842,446	42,009,716	57,436,944	52,284,013
	After appropriation	69,663,137	56,208,669	55,360,184	69,535,725	(Note1)
Non-current liabilities		26,918,037	32,339,234	29,079,339	48,068,799	52,164,794
Total liabilities	Before appropriation	81,337,519	73,181,680	71,089,055	105,505,743	104,448,807
	After appropriation	96,581,174	88,547,903	84,439,523	117,604,524	(Note1)
Paid-in capital		34,208,328	34,238,338	35,093,545	35,124,215	35,192,336
Capital surplus	Before appropriation	13,939,278	12,580,692	20,274,694	18,936,574	16,903,239
	After appropriation	12,306,029	12,580,692	18,681,070	16,358,971	(Note1)
Retained earnings	Before appropriation	41,564,304	44,875,215	41,927,491	43,471,394	44,978,937
	After appropriation	27,953,898	29,508,992	30,170,647	33,950,216	(Note1)
Other equity interests		(362,703)	(95,381)	438,905	(2,449,739)	(1,823,415)
Treasury stock		(29,717,344)	(29,717,344)	(29,717,344)	(29,717,344)	(29,717,344)
Total equity	Before appropriation	59,631,863	61,881,520	68,017,291	65,365,100	65,533,753
	After appropriation	44,388,208	46,515,297	54,666,823	53,266,319	(Note1)

Note 1: The appropriation amount for 2021 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 (2017-2021)

Unit: NT\$'000

	2017	2018	2019	2020	2021
Operating revenue	117,171,107	118,732,328	124,420,913	132,860,984	156,109,533
Gross profit	35,725,991	34,416,594	32,808,735	31,445,736	31,374,597
Operating income	19,092,412	18,162,042	17,193,335	16,056,160	16,053,041
Non-operating income (expenses)	(1,461,129)	(472,825)	(611,525)	(598,369)	(471,466)
Pre-tax income	17,631,283	17,689,217	16,581,810	15,457,791	15,581,575
Net income	14,948,787	14,485,768	13,291,867	12,393,778	12,825,209
Other comprehensive income (after tax)	215,294	98,554	487,173	(853,669)	667,222
Comprehensive income	15,164,081	14,584,322	13,779,040	11,540,109	13,492,431
Profit attributable to owners of the parent company	14,192,176	13,642,172	12,481,167	11,286,553	10,988,165
Profit attributable to non-controlling interest	756,611	843,596	810,700	1,107,225	1,837,044
Comprehensive income attributable to owners of parent company	14,437,341	13,768,068	12,971,397	10,414,104	11,662,701
Comprehensive income attributable to non-controlling interest	726,740	816,254	807,643	1,126,005	1,829,730
EPS (NT\$)	5.21	5.01	4.51	4.01	3.90

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

Stand-alone statements of comprehensive income (2017-2021)

Unit: NT\$'000

	2017	2018	2019	2020	2021
Operating revenue	73,612,276	65,545,627	62,426,270	56,890,204	59,844,804
Net gross profit	25,138,921	22,528,422	20,285,294	17,661,456	15,047,344
Operating income	12,094,034	10,465,707	9,198,843	7,598,398	5,820,790
Non-operating income (expenses)	3,672,554	5,071,356	4,963,642	5,043,606	5,849,627
Pre-tax income	15,766,588	15,537,063	14,162,485	12,642,004	11,670,417
Net income	14,192,176	13,642,172	12,481,167	11,286,553	10,988,165
Other comprehensive income (after tax)	245,165	125,896	490,230	(872,449)	674,536
Comprehensive income	14,437,341	13,768,068	12,971,397	10,414,104	11,662,701
EPS (NT\$)	5.21	5.01	4.51	4.01	3.90

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
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
2021	Deloitte & Touche	Pei-De Chen, Te-Chen Cheng	Unqualified opinion

Financial Analysis

Consolidated financial analysis (2017-2021)

		2017	2018	2019	2020	2021
Financial structure	Liabilities to assets ratio (%)	57.60	53.95	51.81	61.00	61.63
	Long-term fund to PP&E ratio (%)	221.53	256.51	285.33	281.14	284.88
Solvency	Current ratio (%)	57.28	69.40	67.17	54.83	64.98
	Quick ratio (%)	48.71	58.59	53.39	43.86	53.26
	Interest coverage ratio (%)	2,883.04	3,039.18	2,984.90	2,598.88	2,581.88
Operations	Accounts receivable turnover (x)	5.85	14.08	14.81	15.66	18.61
	Average collection days	62.39	25.92	24.64	23.30	19.61
	Inventory turnover (x)	11.58	12.70	12.92	12.70	15.27
	Accounts payable turnover (x)	10.57	11.20	12.44	11.54	11.47
	Average days sales	31.51	28.74	28.25	28.74	23.90
	Property, plant and equipment turnover (x)	2.79	2.95	3.32	3.38	3.63
	Total asset turnover (x)	0.77	0.77	0.80	0.78	0.83
Profitability	Return on assets (%)	10.12	9.77	8.83	7.62	7.10
	Return on equity attributable to owners of the parent company (%)	23.64	21.84	19.21	16.92	16.79
	Pre-tax income as a % of paid-in capital	51.54	51.66	47.25	44.01	44.28
	Net income margin (%)	12.76	12.20	10.68	9.33	8.22
	EPS (NT\$)	5.21	5.01	4.51	4.01	3.90
Cash flow	Cash flow ratio (%)	53.68	71.09	67.87	54.23	50.76
	Cash flow adequacy ratio (%)	100.84	107.37	112.96	121.06	121.26
	Cash reinvestment rate (%)	7.79	7.45	7.58	8.09	7.75
Leverage	Operating leverage	2.79	2.88	2.93	3.01	3.16
	Financial leverage	1.03	1.03	1.03	1.04	1.04

Explanation of significant changes in 2021 compared with the previous year:

1. Current ratio and quick ratio increased in 2021 compared with 2020 due to the cash inflow from an increase in operating revenue. Inventory turnover increased in 2021 compared with 2020 due to an increase in COGS.

Note: 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 in relative ratios in 2018 compared with the previous year.

Stand-alone financial analysis (2017-2021)

		2017	2018	2019	2020	2021
Financial structure	Liabilities to assets ratio (%)	57.70	54.18	51.10	61.75	61.45
	Long-term fund to PP&E ratio (%)	357.74	423.47	492.60	447.87	453.25
Solvency	Current ratio (%)	39.66	43.43	40.08	27.92	32.13
	Quick ratio (%)	33.15	37.24	31.97	23.17	26.50
	Interest coverage ratio (%)	2,716.04	2,700.99	2,603.12	2,145.09	1,903.84
Operations	Accounts receivable turnover (x)	3.97	9.33	9.32	8.53	9.17
	Average collection days	91.93	39.12	39.16	42.79	39.80
	Inventory turnover (x)	6.19	6.23	6.87	6.09	8.02
	Accounts payable turnover (x)	13.32	17.67	27.34	20.79	21.20
	Average days sales	58.96	58.58	53.12	59.93	45.51
	Property, plant and equipment turnover (x)	2.87	2.82	2.98	2.53	2.33
	Total asset turnover (x)	0.53	0.47	0.44	0.37	0.35
Profitability	Return on assets (%)	10.51	10.08	9.14	7.60	6.75
	Return on equity (%)	23.64	21.84	19.21	16.92	16.79
	Pre-tax income as a % of paid-in capital	46.09	45.38	40.36	35.99	33.16
	Net profit margin (%)	19.28	20.81	19.99	19.84	18.36
	EPS (NT\$)	5.21	5.01	4.51	4.01	3.90
Cash flow	Cash flow ratio (%)	38.65	48.50	48.38	35.97	31.47
	Cash flow adequacy ratio (%)	76.51	83.91	89.37	97.27	93.56
	Cash reinvestment rate (%)	3.45	2.68	2.93	3.57	2.11
Leverage	Operating leverage	3.38	3.69	3.92	4.46	5.77
	Financial leverage	1.05	1.06	1.07	1.09	1.13

Explanation of significant changes in 2021 compared with the previous year:

1. Inventory turnover increased and average days sales decreased in 2021 compared with 2020 due to an increase in COGS.
2. Cash reinvestment ratio decreased in 2021 compared with 2020 due to lower cash flow from operating activities.
3. Operating leverage increased in 2021 compared with 2020 due to a decrease in operating income.

Note : 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 2017-2021 have been duly audited by independent auditors.

Note 2: Formulas for the above tables:

Financial structure

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

Solvency

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

Operations

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

Profitability

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

Cash flow

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

Leverage

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

Audit Committee Report

Audit Committee Report

February 22, 2022

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2021 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

2021 Consolidated Financial Statements:

Refer to the attachment.

2021 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. Current assets increased mainly due to rising cash inflows and receivables from operating income.
2. Investments increased mainly due to acquisitions and valuation gains.

2020 - 2021 Consolidated Balance Sheet

Unit: NT\$'000, %

	2020	2021	YoY change	
			Amount	%
Current assets	32,092,794	38,652,038	6,559,244	20.44
Investments	4,256,640	5,856,891	1,600,251	37.59
Property, plant and equipment	42,479,314	43,439,740	960,426	2.26
Intangible assets	85,766,511	81,327,563	(4,438,948)	(5.18)
Other assets	19,989,343	21,706,295	1,716,952	8.59
Total assets	184,584,602	190,982,527	6,397,925	3.47
Current liabilities	58,532,319	59,486,772	954,453	1.63
Non-current liabilities	54,062,071	58,218,757	4,156,686	7.69
Total liabilities	112,594,390	117,705,529	5,111,139	4.54
Paid-in capital	35,124,215	35,192,336	68,121	0.19
Capital surplus	18,936,574	16,903,239	(2,033,335)	(10.74)
Retained earnings	43,471,394	44,978,937	1,507,543	3.47
Other equity and treasury stock	(32,167,083)	(31,540,759)	626,324	(1.95)
Non-controlling interests	6,625,112	7,743,245	1,118,133	16.88
Total equity	71,990,212	73,276,998	1,286,786	1.79

Stand-alone balance sheet analysis

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

No significant changes.

2020- 2021 Stand-alone Balance Sheet

Unit: NT\$'000, %

	2020	2021	YoY change	
			Amount	%
Current assets	16,039,175	16,800,099	760,924	4.74
Investments	47,242,230	47,874,612	632,382	1.34
Property, plant and equipment	25,327,616	25,967,927	640,311	2.53
Intangible assets	65,347,011	61,234,729	(4,112,282)	(6.29)
Other assets	16,914,811	18,105,193	1,190,382	7.04
Total assets	170,870,843	169,982,560	(888,283)	(0.52)
Current liabilities	57,436,944	52,284,013	(5,152,931)	(8.97)
Non-current liabilities	48,068,799	52,164,794	4,095,995	8.52
Total liabilities	105,505,743	104,448,807	(1,056,936)	(1.00)
Paid-in capital	35,124,215	35,192,336	68,121	0.19
Capital surplus	18,936,574	16,903,239	(2,033,335)	(10.74)
Retained earnings	43,471,394	44,978,937	1,507,543	3.47
Other equity and treasury stock	(32,167,083)	(31,540,759)	626,324	(1.95)
Total equity	65,365,100	65,533,753	168,653	0.26

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:

1. Increase in operating costs: Mainly due to an increase in COGS from growth in e-commerce and rising depreciation of 5G assets and amortization of 5G spectrum.
2. Decrease in non-operating expenses: Mainly due to a decrease in losses on disposal of property, plant and equipment.

2020 - 2021 Consolidated Statements of Comprehensive Income

Unit: NT\$'000, %

	2020	2021	YoY change	
			Amount	%
Operating revenue	132,860,984	156,109,533	23,248,549	17.50
Operating costs	101,415,248	124,734,936	23,319,688	22.99
Gross profit	31,445,736	31,374,597	(71,139)	(0.23)
Operating expenses	15,722,141	16,005,557	283,416	1.80
Operating income	16,056,160	16,053,041	(3,119)	(0.02)
Non-operating income (expenses)	(598,369)	(471,466)	126,903	(21.21)
Income before tax	15,457,791	15,581,575	123,784	0.80
Net income	12,393,778	12,825,209	431,431	3.48

Stand-alone statements of comprehensive income

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

Decrease in operating income: Mainly due to rising depreciation of 5G assets and amortization of 5G spectrum.

2020 - 2021 Stand-alone Statements of Comprehensive Income

Unit: NT\$'000, %

	2020	2021	YoY change	
			Amount	%
Operating revenue	56,890,204	59,844,804	2,954,600	5.19
Operating costs	39,229,257	44,797,460	5,568,203	14.19
Net gross profit	17,661,456	15,047,344	(2,614,112)	(14.80)
Operating expenses	10,286,702	9,812,496	(474,206)	(4.61)
Operating income	7,598,398	5,820,790	(1,777,608)	(23.39)
Non-operating income (expenses)	5,043,606	5,849,627	806,021	15.98
Income before tax	12,642,004	11,670,417	(971,587)	(7.69)
Net income	11,286,553	10,988,165	(298,388)	(2.64)

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

As the peak of 5G network construction has passed, depreciation and amortization have gradually slowed. Increasing demand for 5G mid-range smartphones is expected to reduce the pressure on subsidies. After the National Communications Commission approves the merger of Taiwan Mobile and Taiwan Star, the Company should benefit from better economies of scale and increased revenue and profit.

Cash Flow Analysis

Consolidated cash flow analysis

1. Decrease in cash outflow from investment activities: Cash outflow decreased mainly due to the payment of 5G spectrum in 2020.
2. Decrease in cash inflow from financing activities: Cash inflow decreased mainly due to the issuance of bonds and an increase in short-term notes and bills payable in 2020.

2020 - 2021 Consolidated Cash Flow Statement

Unit: NT\$'000, %

	2020	2021	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	31,742,522	30,195,542	(1,546,980)	(4.87)
Cash inflow (outflow) from investment activities	(39,320,539)	(9,638,497)	29,682,042	(75.49)
Cash inflow (outflow) from financing activities	9,690,785	(15,932,014)	(25,622,799)	NM
Impact from changes in exchange rate	1,653	(797)	(2,450)	NM
Net cash increase (decrease)	2,114,421	4,624,234	2,509,813	118.70

Stand-alone cash flow analysis:

1. Decrease in cash inflow from operating activities: Cash inflow decreased mainly due to the increase in contract assets from business expansion.
2. Decrease in cash outflow from investment activities: Cash outflow decreased mainly due to the payment of 5G spectrum in 2020.
3. Decrease in cash inflow from financing activities: Cash inflow decreased mainly due to the issuance of bonds and increase in short-term notes and bills payable in 2020.

2020 - 2021 Stand-alone Cash Flow Statement

Unit: NT\$'000, %

	2020	2021	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	20,658,925	16,451,660	(4,207,265)	(20.37)
Cash inflow (outflow) from investment activities	(35,107,734)	783,540	35,891,274	NM
Cash inflow (outflow) from financing activities	14,718,248	(17,151,183)	(31,869,431)	NM
Net cash increase (decrease)	269,439	84,017	(185,422)	(68.82)

Plans to improve negative liquidity: Not applicable

Projected consolidated cash flow for 2022

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 outflow from financing activities: For cash dividend distribution

2022 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
15,402,025	31,117,904	30,970,535	15,549,394	—	—

Source of Funding for Negative Cash Flow in 2022: 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 2021, on a consolidated basis, TWM's investment loss from long-term investments under the equity method amounted to NT\$19.681 million due to COVID-19's impact on operations. 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 2021 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.
3. Impact of inflation
Inflation had a minor impact on the Company's operating performance in 2021 up to the publication date in 2022.

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
AI inspector	Use AI machine vision and robotic process automation (RPA) technology to automatically audit application forms.
Intelligence collection model	Use AI machine learning algorithms to optimize collection process.
myfone online service	Design a customer-centric self-service system that encourages users to subscribe to and purchase TWM products online.
M+ Messenger	Provide video conferencing recording function to fulfill remote insurance application. Enable walled garden enterprise IM to enhance business operation security.
myVideo	Develop 5G video applications and provide interactive AR/VR services. Enhance streaming video security and quality.
MyMusic	Enhance podcast functions for producers to enrich audio-related services. Build a gamification platform, increase multiple payment methods, and improve membership management.
Number masking service	Provide comprehensive APIs and VoIP SDK for easy enterprise applications integration.
Smarter Home	Enrich Smarter Home ecosystem and extend 070 VoIP service to conventional home phones and the Smarter Home app.
Smart customer service platform upgrade	Upgrade momo's smart customer service system to provide timely responses, answer customers' questions promptly, reduce manpower needs and improve customer satisfaction through the introduction of new functions.

Expected research and development expenses

The projected research and development expense for 2022 is NT\$311.119 million.

Regulatory changes and developments

1. The Legislative Yuan approved the formation of a digital development ministry

(1) Status

On Dec. 28, 2021, the Legislative Yuan approved a new law to establish a ministry of digital development. The new ministry is expected to be established in the middle of 2022 at the earliest, and will be in charge of planning the nation's digital development policies, which currently fall under the purview of the NCC, the National Development Council, the Department of Posts and Telecommunications, the Technology Division of the Ministry of Economic Affairs, and the Information Security Division of the Executive Yuan.

(2) Countermeasures

The Company is paying close attention to the progress of the organizational changes.

2. The NCC announced a draft Digital Communications Act

(1) Status

On Dec. 29, 2021, the NCC announced its draft Digital Communications Act, which includes provisions that would require popular platforms such as YouTube and Meta (Facebook) to be more transparent about their regulations on taking actions against user posts, establish more self-regulatory measures, as well as be governed by third-party units or laws. The NCC is expected to publish the full text of the law in 2022 and organize public hearings to collect opinions and suggestions.

(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.

3. The NCC amended the “Regulations Governing the Use of Radio Frequencies”

(1) Status

On Sept. 1, 2021, the NCC removed the overall caps on usage bandwidth, expanded the upper limit of the usable bandwidth above the 24GHz band, and added the 2100MHz band as a frequency sharing band, which is limited to mobile voice services only.

(2) Countermeasures

The Company is paying close attention to the enhancement of spectrum utilization efficiency and energy-saving benefits through frequency sharing.

4. The NCC announced the policy consultation document for 4.8-4.9GHz dedicated telecommunication network for mobile broadband

(1) Status

In order to meet the needs of 5G vertical application development and to cooperate with the Executive Yuan's plan to open 4.8-4.9GHz band for establishment and use of dedicated 5G telecommunications networks from 2021 to 2022, the NCC on April 13, 2021, conducted a public hearing to gather opinions from industry members. The draft regulation is still under development.

(2) Countermeasures

The Company has come up with different solutions with other industries to develop 5G innovation services. It will continue to monitor the progress of the proposed bill and reinforce communication with the NCC in hopes of maintaining a regulatory environment conducive to the industry's development.

5. The Ministry of Transportation and Communications intends to revise the “Radio Frequency Supply Plan”

(1) Status

In response to the development needs of next generation satellite communication, the Ministry of Transportation and Communications (MOTC) has proposed changes to the Radio Frequency Supply Plan and held a public briefing on Oct. 5, 2021. Under its plan, the following frequency bands are to be released in phases for next generation satellite communication usage: 10,700-12,700MHz, 14,000-14,500MHz, 17,700-20,200MHz and 27,500-30,000MHz.

(2) Countermeasures

Low-orbit satellites can boost internet penetration in rural areas. The Company is closely monitoring the progress of industry needs and continues to communicate with the government in hopes of maintaining a regulatory environment conducive to the industry's development.

6. The NCC approved Chunghwa Telecom's plan to reduce wholesale IP peering price

(1) Status

The NCC approved Chunghwa Telecom's new wholesale pricing scheme, which lowered the private peering price of IP network interconnections by 17.57%, from NT\$74 per Mbps to NT\$61 per Mbps. This scheme took effect retroactively on April 1, 2021.

(2) Countermeasures

The Company will keep offering various digital economy services to satisfy clients' needs.

Technology changes and development

1. Mobile broadband access network

(1) Status

Other major 5G players have significantly accelerated 5G rollout in 2021, driving market competition to a higher level. The 5G equipment deployed in 2020 also resulted in more depreciation and amortization financially for the company.

(2) Countermeasures

After the merger of Taiwan Star Telecom with Taiwan Mobile is approved by the authorities, Taiwan Mobile will possess the industry's largest 3.5GHz bandwidth, reducing the demand for deploying base stations due to congestion. By combining the base stations of the two companies, Taiwan Mobile will be able to reduce operational expenses and improve profitability. In addition, Taiwan Mobile continued to optimize the network and develop technologies to enhance users' 5G experience to accelerate the migration to 5G services. In 2021, the Company completed several software upgrades to improve upload and download performance and optimize network settings to solve the problems of poor user experience at 4G/5G borders. It is also the first 5G stand-alone network provider in Taiwan to pass the NCC certification for commercialization. Besides seeking various subsidies for 5G construction, the Company is enhancing the smart power-saving function of 4G and 5G base station equipment to reduce energy consumption.

2. IDC and cloud related services

(1) Status

Global demand for cloud services continues to drive cloud service providers to deploy cloud data centers. Innovative new services focus on "edge computing" architecture and "decentralized cloud" solutions. Data localization, sustainable development and community development are key issues.

(2) Countermeasures

As a major provider of cloud services and data centers, Taiwan Mobile continues to cooperate with other cloud service providers to develop AI solutions and high-performance computing services. Besides providing hybrid cloud solutions, edge computing and data landing solutions, the Company has also cooperated with international gaming companies and content service providers to deliver real-time and high-quality services. Its cloud data center was designed to achieve PUE 1.5. Taiwan Mobile is also committed to using green energy to reduce carbon emissions.

3. ICT security risks

(1) Risk changes in the development of mobile broadband technology

As mobile technology evolves and 5G develops, ICT security threats, risks and impacts have become more complex and significant. With 5G services expanding the scope of users and applications and increasing the importance of information carried on the network, there are risks of leakage or improper use of privacy and personal data, such as digital footprints. Meanwhile, 5G's larger capacity to support more IoT devices also opens it to risks of devices being infected with a virus and attacking the 5G system. Challenges to the resilience of the 5G system will increase from a personal level to the wider issue of information security of an enterprise, society and the nation.

In addition, with proprietary telecom technology adopting TCP/IP, the network complexity and information security risks of telecom operators have greatly increased. As telecommunications services gradually move toward an open architecture, there is also the enhanced information security risk that software may generate.

(2) Countermeasures

In the face of these threats to information security, TWM has adopted a consistent all-round thinking, planning and deploying information security equipment, improving network strength, identifying various possible types of threats, and taking corresponding protective and control measures through system implementation, standard operating procedures, personnel training and reinforcement. TWM has also adopted a prudent attitude toward new architecture, software and functions, and will not blindly seek innovation and speed, but will evaluate, verify and implement measures step by step.

Impact of changes in brand image on the Company's risk management policies in 2021 up to the publication date in 2022:

The Company has long built up a sound image among investors and customers for its continuing efforts to enhance corporate governance, network communication quality, customer service and corporate sustainability. These efforts won numerous recognitions and awards in 2021 (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 2021 up to the publication date in 2022:

1. Expected benefits:

- a. Expand business scale
- b. Generate economies of scale
- c. Position for earnings growth
- d. Enhance customer satisfaction
- e. Enlarge customer base and spectrum resources to achieve greater economies of scale

2. Possible risks and response actions:

- a. Subject to approvals by regulatory authorities
- b. Target completion deadline is no later than Dec. 31, 2022, with the option of extensions if agreed upon by the two parties

Expected benefits and risks related to plant facility expansions in 2021 up to the publication date in 2022:

Not applicable as the Company is not a manufacturer.

Risks from supplier and buyer concentration in 2021 up to the publication date in 2022:

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 2021 up to the publication date in 2022: None.

Changes in management controls in 2021 up to the publication date in 2022: None.

Significant lawsuits and non-litigious matters in 2021 up to the publication date in 2022

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 aforementioned 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% annual 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 responsibility for the rest.
- (5) Regarding the portion of TWM's payment as ruled, FET may 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:

- (1) **Channel license fee dispute between Best News Entertainment Co., Ltd. and TFN Media Co., Ltd., Yeong Jia Leh Cable TV Co., Ltd., Globalview CATV Co., Ltd., Phoenix Cable TV Co., Ltd. and Union Cable TV Co., Ltd. (hereinafter referred to as "TFM Co.," "YJL Co.," "Globalview Co.," "Phoenix Co.," "Union Co.," and collectively referred to as "TFM Co. and its subsidiaries")**

Parties Involved: Best News Co. (plaintiff) vs. TFM Co. and its subsidiaries (defendants)

Grounds for Lawsuit:

Best News Co. claimed that TFM Co. and its subsidiaries in 2019 publicly broadcast the following channels – ERA News, MUCH TV, AZIO TV, Hollywood Movie, Discovery Travel and Living, Disney HD, USTV, BNV and NEXT TV – without obtaining authorization from their agent, Best News Co. TFM Co. and its subsidiaries are therefore requested to pay license fees amounting to NT\$81,663,072.

Status:

On May 10, 2021 Best News Co. filed a civil lawsuit with the Taiwan Shilin District Court ("Shilin District Court"). On June 28, 2021 Shilin District Court transferred the case to the Intellectual Property and Commercial Court ("IP Court"), which has yet to start a hearing.

- (2) **Channel license fee dispute between Dongyu Investment Co., Ltd. ("Dongyu") and TFM Co. and its subsidiaries**

Parties Involved: Dongyu (plaintiff) vs. TFM Co. and its subsidiaries (defendants)

Grounds for Lawsuit:

Dongyu claimed that TFM Co. and its subsidiaries in 2019 publicly broadcast the following channels – Top TV, Rainbow Channel, Sanlih Taiwan Channel, Sanlih City Channel, SET News, NHK World Premium and MTV – without obtaining authorization from their agent, Dongyu. TFM Co. and its subsidiaries are thereby requested to pay license fees amounting to NT\$96,162,432.

Status:

On May 10, 2021 Dongyu filed a civil lawsuit with the Shilin District Court. On June 30, 2021 the Shilin District Court transferred the case to the IP Court, which has yet to start a hearing.

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, which could seriously damage its reputation.

Countermeasures:

TWM has implemented the ISO/IEC 27001 – Information Security Management System (ISMS) and BS 10012, ISO/IEC 27701– Personal Information Management System (PIMS) certifications. The Company's Cyber Security and Data Privacy Protection Committee reviews 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 has also purchased cybersecurity insurance for 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 application firewall, etc.
2. Internal leakage prevention: Handle data leakage protection detection and gap reinforcement measures.
3. System planning and development: Incorporate system development security specifications and execute code 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

2. Affiliates' profile

As of December 31, 2021; 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	2,175,000,000	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 telemarketing
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	Cloud and information services
TWM Film Co., Ltd.	2021.04.28	7F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District., Taipei	300,000	Film production
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	1,820,760,500	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	Data communication Application development
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

Name	Date of incorporation	Address	Paid-in capital	Main business
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. Rd., Sec. 1, Danshui District, New Taipei City	211,600,000	Cable TV service provider
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	Coastal Building, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands	US\$ 11,873,735	Investment
Honest Development Co., Ltd.	2015.01.23	Maystar Chambers, P.O.Box 3269, Apia, Samoa	US\$ 21,778,413	Investment
Fuli Life Insurance Agent Co., Ltd.	2005.12.27	7F, No. 98, Zhouzi St., Neihu District, Taipei	5,000,000	Life insurance agency
Fuli Property Insurance Agent Co., Ltd.	2006.01.03	7F, No. 96, Zhouzi St., Neihu District, Taipei	5,000,000	Property insurance agency
Fu Sheng Travel Service Co., Ltd.	2004.12.16	7F, No. 92, Zhouzi St., Neihu District, Taipei	30,000,000	Travel agency
Bebe Poshe International Co., Ltd.	2010.01.07	4F, No. 92, Zhouzi St., Neihu District, Taipei	100,000,000	Wholesaler of cosmetics
Fu Sheng Logistics Co., Ltd.	2020.02.15	8F, No 96, Zhouzi St., Neihu District, Taipei	250,000,000	Logistics
MFS Co., Ltd.	2020.07.30	14F.-6, No.1, Zhanqian, Miaoli City, Miaoli County	100,000,000	Wholesaler
Prosperous Living Co., Ltd.	2021.11.26	7F, No 98, Zhouzi St., Neihu District, Taipei	300,000,000	Wholesale and retail sales
Fortune Kingdom Corp.	2009.01.06	Maystar Chambers, 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, China	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, China	RMB 77,500,000	Wholesaler

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. An abundance of resources allows 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, 2021; 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: 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	217,500,000	100.00%
	Director	Taiwan Mobile Co., Ltd. Representative: Richard M. Tsai	217,500,000	100.00%
	Supervisor	Taiwan Mobile Co., Ltd. Representative: Rosie Yu	217,500,000	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: Stephanie Tsai	192,634,500	50.10%
	Director	Fubon Land Development Co., Ltd. Representative: Liang-Cheng Sung	192,634,500	50.10%
	Supervisor	Rita Kuo	-	-
	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	Kate Chen	-	-
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%
	President	Rita Kuo	-	-
Tai-Fu Cloud Technology	Chairman	Taiwan Cellular Co., Ltd.	20,000,000	100.00%

Company name	Title	Name of Representative	Shares	%
Co., Ltd.		Representative: C.H. Wu		
	Director	Taiwan Cellular Co., Ltd. Representative: Allen Liou	20,000,000	100.00%
	Director	Taiwan Cellular Co., Ltd. Representative: Sara Chen	20,000,000	100.00%
	Supervisor	Taiwan Cellular Co., Ltd. Representative: Rita Kuo	20,000,000	100.00%
	President	C.H. Wu	-	-
TWM Film Co., Ltd.	Chairman	TWM Venture Co., Ltd. Representative: Jamie Lin	30,000	100.00%
	Director	TWM Venture Co., Ltd. Representative: Daphne Lee	30,000	100.00%
	Director	TWM Venture Co., Ltd. Representative: Tim Lee	30,000	100.00%
	Supervisor	TWM Venture Co., Ltd. Representative: Rita Kuo	30,000	100.00%
	President	Daphne Lee	-	-
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: Rosie Yu	1,500,000	100.00%
	Supervisor	Wealth Media Technology Co., Ltd. Representative: Rita Kuo	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	Feng-Chan Cheng (Acting)	-	-
momo.com Inc.	Chairman	Wealth Media Technology Co., Ltd. Representative: C.F. Lin	81,961,366	45.01%
	Director	Wealth Media Technology Co., Ltd. Representative: Jamie Lin	81,961,366	45.01%
	Director	Wealth Media Technology Co., Ltd. Representative: Rosie Yu	81,961,366	45.01%
	Director	Wealth Media Technology Co., Ltd. Representative: Chris Tsai	81,961,366	45.01%
	Director	Wealth Media Technology Co., Ltd. Representative: Jeff Ku	81,961,366	45.01%
	Director	Tong-An Investment Co., Ltd. Representative: Mao-Hsiung Huang	19,174,000	10.53%
	Independent Director	Chieh Wang	-	-
	Independent Director	Brian Y. Hsieh	-	-
	Independent Director	Hong-So Chen	-	-
	President	Jeff Ku	4,242	0.0023%
TFN Union Investment Co., Ltd.	Chairman	Taiwan Fixed Network Co., Ltd. Representative: Daniel M. Tsai	400,000	100.00%
	Director	Taiwan Fixed Network Co., Ltd. Representative: Richard M. Tsai	400,000	100.00%
	Supervisor	Taiwan Fixed Network Co., Ltd. Representative: Rosie Yu	400,000	100.00%
	President	Jamie Lin	-	-
TWM Communications (Beijing) Ltd.	Chairman	TWM Holding Co., Ltd. Representative: Tom Koh	US\$ 3,000,000	100.00%
	Director	TWM Holding Co., Ltd. Representative: James Chang	US\$ 3,000,000	100.00%
	Director	TWM Holding Co., Ltd. Representative: C.H. Wu	US\$ 3,000,000	100.00%

Company name	Title	Name of Representative	Shares	%
	Supervisor	TWM Holding Co., Ltd. Representative: Rosie Yu	US\$ 3,000,000	100.00%
	President	Tom Koh	-	-
TCCI Investment and Development Co., Ltd.	Chairman	TCC Investment Co., Ltd. Representative: Daniel M. Tsai	104,712,000	100.00%
	Director	TCC Investment Co., Ltd. Representative: Richard M. Tsai	104,712,000	100.00%
	Supervisor	TCC Investment Co., Ltd. Representative: Rosie Yu	104,712,000	100.00%
	President	Jamie Lin	-	-
Taiwan Kuro Times Co., Ltd.	Chairman	TFN Media Co., Ltd. Representative: Jamie Lin	14,700,000	100.00%
	Director	TFN Media Co., Ltd. Representative: Daphne Lee	14,700,000	100.00%
	Supervisor	TFN Media Co., Ltd. Representative: Rosie Yu	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: Min-Chieh Yang	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	Min-Chieh Yang	-	-
Mangrove Cable TV Co., Ltd.	Chairman	Dai-Ka Ltd. Representative: Chao-Nan Kuo	14,912,000	70.47%
	Director	Dai-Ka Ltd. Representative: Yao-Tung Lee	14,912,000	70.47%
	Independent Director	Eric Chang	-	-
	Independent Director	Eugene Cha	-	-
	Independent Director	Hsiu-Lan Wang	-	-
	President	Yao-Tung Lee	-	-
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: Hung-Chun Chou	169,141,000	99.22%
	Supervisor	Global Forest Media Technology Co., Ltd. Representative: Jay Hong	1,300,326	0.76%
	Supervisor	Rita Kuo	-	-
	President	Hung-Chun Chou	-	-

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

Company name	Title	Name of Representative	Shares	%
	Supervisor	momo.com Inc. Representative: Jeremy Hong	10,000,000	100.00%
	President	Ally Yu	-	-
Prosperous Living Co., Ltd.	Chairman	momo.com Inc. Representative: Jeff Ku	22,085,000	73.62%
	Director	momo.com Inc. Representative: Jeremy Hong	22,085,000	73.62%
	Director	momo.com Inc. Representative: Roxanne Chiu	22,085,000	73.62%
	Supervisor	Gina Lu	100,000	0.33%
	President	Roxanne Chiu	100,000	0.33%
	Director	Asian Crown International Co., Ltd.	US\$ 11,594,429	100.00%
Fortune Kingdom Corp.	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, 2021; 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	81,759,937	353,076	81,406,861	-	(752)	3,170,178	6.30
Wealth Media Technology Co., Ltd.	420,650	22,269,077	2,231	22,266,846	-	(192)	3,203,688	76.16
TWM Venture Co., Ltd.	2,175,000	3,308,479	572,269	2,736,210	-	(2,646)	74,591	0.40
Taipei New Horizon Co., Ltd.	3,845,000	7,273,024	3,464,513	3,808,511	536,152	163,407	81,087	0.21
Taiwan Fixed Network Co., Ltd.	21,000,000	57,206,602	4,546,206	52,660,396	8,652,253	3,539,144	2,919,340	1.39
Taiwan Teleservices & Technologies Co., Ltd.	24,843	527,307	407,886	119,421	1,107,189	61,060	51,082	20.56
TWM Holding Co., Ltd.	0.032	221,425	37	221,388	-	(153)	(2,279)	(2,278,672)
TCC Investment Co., Ltd.	1,547,213	27,803,140	473,387	27,329,753	214	(50)	2,518	0.02
Taiwan Digital Service Co., Ltd.	25,000	135,425	32,871	102,554	210,688	9,858	8,162	3.26
Taihsin Property Insurance Agent Co., Ltd.	5,000	207,525	100,695	106,830	337,699	120,892	96,830	193.66
Tai-Fu Cloud Co., Ltd.	200,000	542,784	363,192	179,592	186,700	3,542	(6,078)	(0.30)
TFN Media Co., Ltd.	2,309,213	13,506,443	3,164,498	10,341,945	3,431,268	1,883,703	1,692,548	7.33
Global Forest Media Technology Co., Ltd.	15,000	17,294	51	17,243	-	(144)	120	0.08
Global Wealth Media Technology Co., Ltd.	89,449	98,392	74	98,318	-	(157)	3,025	0.34
Win TV Broadcasting Co., Ltd.	181,774	1,283,098	994,234	288,864	1,038,409	44,023	30,242	1.66
momo.com Inc.	1,820,761	22,835,295	14,076,304	8,758,991	88,360,085	3,975,659	3,280,300	18.02
TWM Film Co., Ltd.	300	239	-	239	-	(61)	(61)	(2.04)
TFN Union Investment Co., Ltd.	4,000	41,067,046	1,125,223	39,941,823	-	(74)	(74)	(0.18)
TWM Communications (Beijing) Co., Ltd.	82,980	80,948	39	80,909	-	(286)	1,438	NA
TCCI Investment and Development Co., Ltd.	1,047,120	8,760,764	240,075	8,520,689	-	(142)	(142)	-
Taiwan Kuro Times Co., Ltd.	147,000	387,226	100,483	286,743	398,335	149,037	120,179	8.18
Yeong Jia Leh Cable TV Co., Ltd.	339,400	526,250	422,952	103,298	757,752	(63,582)	(62,287)	(1.84)
Mangrove Cable TV Co., Ltd.	211,600	733,573	366,176	367,397	409,234	40,450	33,287	1.57
Phoenix Cable TV Co., Ltd.	680,902	1,560,888	424,474	1,136,414	1,140,334	168,712	140,418	2.06
Union Cable TV Co., Ltd.	1,704,633	2,184,338	325,405	1,858,933	628,066	41,097	34,638	0.20
Globalview Cable TV Co., Ltd.	560,000	940,224	224,998	715,226	447,589	54,280	46,581	0.83
Asian Crown International Co., Ltd.	364,890	24,601	-	24,601	-	(85)	(13,303)	(1.12)
Honest Development Co., Ltd.	670,448	643,897	-	643,897	-	-	(27,501)	(1.26)
Fuli Life Insurance Agent Co., Ltd.	5,000	5,819	617	5,202	1,036	(1,920)	(1,917)	(3.83)
Fuli Property Insurance Agent Co., Ltd.	5,000	13,809	2,423	11,386	11,678	4,185	3,657	7.32
Fu Sheng Travel Service Co., Ltd.	30,000	159,482	115,652	43,830	5,233	3,605	3,105	1.03
Bebe Poshe International Co., Ltd.	100,000	38,809	1,496	37,313	47,398	(11,396)	(11,389)	(1.14)
Fu Sheng Logistics Co., Ltd.	250,000	428,186	119,173	309,013	438,998	77,328	62,486	2.50
MFS Co., Ltd.	100,000	125,187	19,033	106,154	174,463	7,136	5,972	0.60
Prosperous Living Co., Ltd.	300,000	300,003	183	299,820	-	(182)	(180)	(0.01)
Fortune Kingdom Corp.	356,500	20,548	-	20,548	-	-	(13,116)	(1.13)
Hong Kong Fubon Multimedia Technology Co., Ltd.	356,500	20,548	-	20,548	-	(111)	(13,116)	(1.13)
Hongkong Yue Numerous Investment Co., Ltd.	66,035	643,897	-	643,897	-	-	(27,501)	(1.66)
Haobo Information Consulting (Shenzhen) Co., Ltd.	47,751	615,915	-	615,915	-	(139)	(27,559)	NA
Fubon Gehua (Beijing) Enterprise Ltd.	336,428	22,603	8,777	13,826	22,108	(13,735)	(13,669)	NA

Note 1: Exchange rates: US\$1=NT\$27.66, HK\$1=NT\$3.547, and RMB1=NT\$4.341 as of December 31, 2021
Average exchange rates: US\$1=NT\$28.01, HK\$1=NT\$3.604, and RMB1=NT\$4.294 for 2021

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



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Taiwan Mobile Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2021 and 2020 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, 2021 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

DANIEL TSAI
Chairman

February 22, 2022

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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 2021 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.
6. Select the samples from telecommunications and value-added services revenue and agree to the contracts, bills and records of cash receipts.

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 and recorded accurately to the IT system.

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, 2021 and 2020 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, 2021 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 Te-Chen Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 22, 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in Taiwan, the Republic of China (ROC) and not those of any other jurisdictions. The standards, procedures and practices to 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, 2021		December 31, 2020		LIABILITIES AND EQUITY	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 6 and 29)	\$ 15,402,025	8	\$ 10,777,791	6	Short-term borrowings (Note 17)	\$ 20,510,000	11	\$ 9,800,000	5
Financial assets at fair value through other comprehensive income (Note 7)	268,393	-	245,446	-	Short-term notes and bills payable (Note 17)	4,597,793	2	14,195,385	8
Contract assets (Note 22)	4,667,271	2	4,617,051	3	Contract liabilities (Note 22)	1,894,828	1	1,892,749	1
Notes and accounts receivable, net (Note 8)	7,381,414	4	7,638,043	4	Notes and accounts payable	11,618,449	6	9,625,964	5
Notes and accounts receivable due from related parties (Note 29)	383,074	-	186,903	-	Notes and accounts payable due to related parties (Note 29)	338,560	-	160,556	-
Other receivables (Note 29)	2,734,657	2	1,348,704	1	Other payables (Note 29)	11,000,399	6	11,153,442	6
Inventories (Note 9)	6,440,116	4	5,766,264	3	Current tax liabilities	2,549,382	1	2,192,429	1
Prepayments (Note 29)	527,355	-	652,375	-	Provisions (Note 19)	74,007	-	68,531	-
Non-current assets held for sale	-	-	23,005	-	Lease liabilities (Notes 13, 26 and 29)	3,540,466	2	3,505,968	2
Other financial assets (Notes 29 and 30)	665,606	-	677,891	-	Long-term liabilities, current portion (Notes 17 and 18)	273,459	-	2,935,405	2
Other current assets	<u>182,127</u>	<u>-</u>	<u>159,321</u>	<u>-</u>	Other current liabilities (Note 29)	<u>3,089,429</u>	<u>2</u>	<u>3,001,890</u>	<u>2</u>
Total current assets	<u>38,652,038</u>	<u>20</u>	<u>32,092,794</u>	<u>17</u>	Total current liabilities	<u>59,486,772</u>	<u>31</u>	<u>58,532,319</u>	<u>32</u>
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Financial assets at fair value through profit or loss	273,767	-	-	-	Contract liabilities (Note 22)	89,480	-	102,767	-
Financial assets at fair value through other comprehensive income (Note 7)	3,702,635	2	2,289,746	1	Bonds payable (Note 18)	37,475,497	20	34,973,223	19
Contract assets (Note 22)	5,199,779	3	3,753,081	2	Long-term borrowings (Note 17)	8,556,973	4	8,780,081	5
Investments accounted for using equity method (Notes 10 and 29)	1,880,489	1	1,966,894	1	Provisions (Note 19)	1,392,321	1	1,449,171	1
Property, plant and equipment (Notes 12 and 29)	43,439,740	23	42,479,314	23	Deferred tax liabilities (Note 24)	1,204,261	1	1,063,734	-
Right-of-use assets (Notes 13 and 29)	9,059,855	5	9,011,290	5	Lease liabilities (Notes 13, 26 and 29)	5,552,881	3	5,530,987	3
Investment properties (Note 14)	2,591,691	1	2,626,185	2	Net defined benefit liabilities (Note 20)	463,562	-	534,071	-
Concessions (Notes 15 and 30)	60,493,425	32	64,803,445	35	Guarantee deposits	1,263,822	1	1,165,500	1
Goodwill (Note 15)	15,819,108	8	15,819,108	9	Other non-current liabilities	<u>2,219,960</u>	<u>1</u>	<u>462,537</u>	<u>-</u>
Other intangible assets (Note 15)	5,015,030	3	5,143,958	3	Total non-current liabilities	<u>58,218,757</u>	<u>31</u>	<u>54,062,071</u>	<u>29</u>
Deferred tax assets (Note 24)	709,744	-	883,367	-	Total liabilities	<u>117,705,529</u>	<u>62</u>	<u>112,594,390</u>	<u>61</u>
Incremental costs of obtaining a contract (Note 22)	1,828,387	1	1,771,884	1	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
Other financial assets (Notes 29 and 30)	358,570	-	355,432	-	(Note 21)				
Other non-current assets (Notes 16 and 29)	<u>1,958,269</u>	<u>1</u>	<u>1,588,104</u>	<u>1</u>	Common stock	35,135,201	18	35,124,215	19
Total non-current assets	<u>152,330,489</u>	<u>80</u>	<u>152,491,808</u>	<u>83</u>	Capital collected in advance	57,135	-	-	-
					Capital surplus	16,903,239	9	18,936,574	10
					Retained earnings				
					Legal reserve	31,500,472	17	30,170,398	16
					Special reserve	2,449,739	1	-	-
					Unappropriated earnings	11,028,726	6	13,300,996	7
					Other equity interests	(1,823,415)	(1)	(2,449,739)	(1)
					Treasury stock	<u>(29,717,344)</u>	<u>(16)</u>	<u>(29,717,344)</u>	<u>(16)</u>
					Total equity attributable to owners of the parent	65,533,753	34	65,365,100	35
					NON-CONTROLLING INTERESTS (Note 21)	<u>7,743,245</u>	<u>4</u>	<u>6,625,112</u>	<u>4</u>
					Total equity	<u>73,276,998</u>	<u>38</u>	<u>71,990,212</u>	<u>39</u>
TOTAL	<u>\$ 190,982,527</u>	<u>100</u>	<u>\$ 184,584,602</u>	<u>100</u>	TOTAL	<u>\$ 190,982,527</u>	<u>100</u>	<u>\$ 184,584,602</u>	<u>100</u>

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 22, 29 and 35)	\$ 156,109,533	100	\$ 132,860,984	100
OPERATING COSTS (Notes 9, 29, 33 and 35)	<u>124,734,936</u>	<u>80</u>	<u>101,415,248</u>	<u>76</u>
GROSS PROFIT FROM OPERATIONS	<u>31,374,597</u>	<u>20</u>	<u>31,445,736</u>	<u>24</u>
OPERATING EXPENSES (Notes 29, 33 and 35)				
Marketing	10,007,715	6	10,055,415	8
Administrative	5,530,575	4	5,260,967	4
Research and development	242,608	-	214,996	-
Expected credit loss	<u>224,659</u>	<u>-</u>	<u>190,763</u>	<u>-</u>
Total operating expenses	<u>16,005,557</u>	<u>10</u>	<u>15,722,141</u>	<u>12</u>
OTHER INCOME AND EXPENSES, NET (Note 29)	<u>684,001</u>	<u>-</u>	<u>332,565</u>	<u>-</u>
OPERATING INCOME (Note 35)	<u>16,053,041</u>	<u>10</u>	<u>16,056,160</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	56,370	-	66,122	-
Other income	25,398	-	121,592	-
Other gains and losses, net (Note 23)	94,260	-	(267,386)	-
Finance costs (Note 23)	(627,813)	-	(618,588)	-
Share of profit (loss) of associates accounted for using equity method (Note 10)	<u>(19,681)</u>	<u>-</u>	<u>99,891</u>	<u>-</u>
Total non-operating income and expenses	<u>(471,466)</u>	<u>-</u>	<u>(598,369)</u>	<u>-</u>
PROFIT BEFORE TAX	15,581,575	10	15,457,791	12
INCOME TAX EXPENSE (Note 24)	<u>2,756,366</u>	<u>2</u>	<u>3,064,013</u>	<u>3</u>
NET PROFIT	<u>12,825,209</u>	<u>8</u>	<u>12,393,778</u>	<u>9</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	28,469	-	(37,801)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	679,028	-	(840,451)	-
Share of other comprehensive income (loss) of associates accounted for using equity method	(11,865)	-	21,133	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	(26,698)	-	7,764	-
Share of other comprehensive loss of associates accounted for using equity method	<u>(1,712)</u>	<u>-</u>	<u>(4,314)</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>667,222</u>	<u>-</u>	<u>(853,669)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 13,492,431</u>	<u>8</u>	<u>\$ 11,540,109</u>	<u>9</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 10,988,165	7	\$ 11,286,553	8
Non-controlling interests	<u>1,837,044</u>	<u>1</u>	<u>1,107,225</u>	<u>1</u>
	<u>\$ 12,825,209</u>	<u>8</u>	<u>\$ 12,393,778</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 11,662,701	7	\$ 10,414,104	8
Non-controlling interests	<u>1,829,730</u>	<u>1</u>	<u>1,126,005</u>	<u>1</u>
	<u>\$ 13,492,431</u>	<u>8</u>	<u>\$ 11,540,109</u>	<u>9</u>
EARNINGS PER SHARE (Note 25)				
Basic earnings per share	<u>\$ 3.90</u>		<u>\$ 4.01</u>	
Diluted earnings per share	<u>\$ 3.89</u>		<u>\$ 3.99</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, 2021 AND 2020 (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, 2020	\$ 34,959,441	\$ 134,104	\$ 20,274,694	\$ 28,922,281	\$ 95,381	\$ 12,909,829	\$ (34,505)	\$ 473,410	\$(29,717,344)	\$ 68,017,291	\$ 6,158,984	\$ 74,176,275
Distribution of 2019 earnings												
Legal reserve	-	-	-	1,248,117	-	(1,248,117)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(95,381)	95,381	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(11,756,844)	-	-	-	(11,756,844)	-	(11,756,844)
Total distribution of earnings	-	-	-	1,248,117	(95,381)	(12,909,580)	-	-	-	(11,756,844)	-	(11,756,844)
Cash dividends from capital surplus	-	-	(1,593,624)	-	-	-	-	-	-	(1,593,624)	-	(1,593,624)
Profit for the 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 for 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
Distribution of 2020 earnings												
Legal reserve	-	-	-	1,330,074	-	(1,330,074)	-	-	-	-	-	-
Special reserve	-	-	-	-	2,449,739	(2,449,739)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(9,521,178)	-	-	-	(9,521,178)	-	(9,521,178)
Total distribution of earnings	-	-	-	1,330,074	2,449,739	(13,300,991)	-	-	-	(9,521,178)	-	(9,521,178)
Cash dividends from capital surplus	-	-	(2,577,603)	-	-	-	-	-	-	(2,577,603)	-	(2,577,603)
Profit for the year ended December 31, 2021	-	-	-	-	-	10,988,165	-	-	-	10,988,165	1,837,044	12,825,209
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	28,385	(12,615)	658,766	-	674,536	(7,314)	667,222
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	11,016,550	(12,615)	658,766	-	11,662,701	1,829,730	13,492,431
Conversion of convertible bonds to common stock	10,986	57,135	557,944	-	-	-	-	-	-	626,065	-	626,065
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(2,209)	-	2,209	-	-	-	-
Changes in equity of associates accounted for using equity method	-	-	6,399	-	-	(8,505)	-	849	-	(1,257)	734	(523)
Disposal of investments accounted for using equity method	-	-	(21,913)	-	-	22,885	-	(22,885)	-	(21,913)	(20,968)	(42,881)
Other changes in capital surplus	-	-	1,838	-	-	-	-	-	-	1,838	-	1,838
Cash dividends for non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(770,513)	(770,513)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	79,150	79,150
BALANCE, DECEMBER 31, 2021	\$ 35,135,201	\$ 57,135	\$ 16,903,239	\$ 31,500,472	\$ 2,449,739	\$ 11,028,726	\$ (44,294)	\$ (1,779,121)	\$(29,717,344)	\$ 65,533,753	\$ 7,743,245	\$ 73,276,998

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 15,581,575	\$ 15,457,791
Adjustments for:		
Depreciation expense	12,286,609	11,106,070
Amortization expense	4,780,516	4,167,114
Amortization of incremental costs of obtaining a contract	1,409,231	1,718,101
(Gain) loss on disposal and retirement of property, plant and equipment, net	(8,690)	257,006
Loss on disposal and retirement of intangible assets, net	-	64,703
Expected credit loss	224,659	190,763
Other income and expenses	(222,947)	-
Finance costs	627,813	618,588
Interest income	(56,370)	(66,122)
Dividend income	(18,864)	(102,762)
Gain on disposal of investments accounted for using equity method	(97,791)	(73,859)
Share of (profit) loss of associates accounted for using equity method	19,681	(99,891)
Valuation loss on financial assets at fair value through profit or loss	2,869	149
Impairment loss on intangible assets	-	13,332
Others	(2,432)	(16,318)
Changes in operating assets and liabilities		
Contract assets	(1,509,745)	(71,727)
Notes and accounts receivable	(443,784)	(111,732)
Notes and accounts receivable due from related parties	(175,576)	(32,645)
Other receivables	(800,453)	77,777
Inventories	(673,852)	(95,788)
Prepayments	13,332	(178,030)
Other current assets	(22,608)	41,760
Other financial assets	8,409	(15,621)
Incremental costs of obtaining a contract	(1,465,734)	(1,370,933)
Contract liabilities	(11,208)	87,033
Notes and accounts payable	1,992,485	1,965,679
Notes and accounts payable due to related parties	178,004	25,394
Other payables	871,255	20,476
Provisions	(104,264)	(81,084)
Other current liabilities	97,101	590,825
Net defined benefit liabilities	(34,923)	(30,355)
Cash inflows generated from operating activities	32,444,298	34,055,694
Interest received	13,132	16,651
Interest paid	(910)	(1,299)
Income taxes paid	(2,260,978)	(2,328,524)
Net cash generated from operating activities	30,195,542	31,742,522
		(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	\$ (10,433,984)	\$ (11,037,092)
Acquisition of right-of-use assets	(30,965)	(26,264)
Acquisition of intangible assets	(294,725)	(29,904,358)
Increase in prepayments for equipment	(441,397)	(266,182)
Proceeds from disposal of property, plant and equipment	175,694	93,237
Proceeds from disposal of intangible assets	12,800	16,000
Increase in advance receipts from asset disposals	283	331
Acquisition of financial assets at fair value through profit or loss	(276,636)	-
Acquisition of financial assets at fair value through other comprehensive income	(588,407)	(798,131)
Disposal of financial assets at fair value through other comprehensive income	-	2,964,345
Acquisition of investments accounted for using equity method	(424,767)	(572,714)
Disposal of investments accounted for using equity method	474,377	219,742
Proceeds from capital return of investments accounted for using equity method	-	33,298
Other investing activities	2,152,807	-
Increase in refundable deposits	(322,609)	(318,178)
Decrease in refundable deposits	263,500	260,325
Increase in other financial assets	(69,286)	(269,366)
Decrease in other financial assets	69,587	116,785
Interest received	38,525	44,757
Dividends received	<u>56,706</u>	<u>122,926</u>
Net cash used in investing activities	<u>(9,638,497)</u>	<u>(39,320,539)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	10,710,000	(6,470,000)
Increase (decrease) in short-term notes and bills payable	(9,591,635)	12,289,537
Proceeds from issue of bonds	2,496,465	19,979,415
Repayments of bonds	(10,700)	-
Proceeds from long-term borrowings	-	6,496,758
Repayment of long-term borrowings	(2,261,757)	(4,304,000)
Repayment of the principal portion of lease liabilities	(3,994,354)	(3,881,512)
Increase in guarantee deposits received	227,563	192,808
Decrease in guarantee deposits received	(126,475)	(119,240)
Cash dividends paid (including paid to non-controlling interests)	(12,869,217)	(14,005,485)
Interest paid	(591,054)	(487,496)
Increase in non-controlling interests	<u>79,150</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>(15,932,014)</u>	<u>9,690,785</u>

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ (797)	\$ 1,653
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,624,234	2,114,421
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>10,777,791</u>	<u>8,663,370</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 15,402,025</u>	<u>\$ 10,777,791</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, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 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 services 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 expired on June 30, 2017. TWM received a third-generation (3G) concession license issued by the DGT in March 2005, and the 3G concession license expired 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 22, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED 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 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be 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” will be 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” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: 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 3: 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 4: 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 had assessed that the application of above standards and interpretations would not have a material impact on the Group’s financial position and financial performance.

- 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)
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 IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	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 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 3: 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 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

a. Basis of measurement

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

b. Functional and presentation currency

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

Basis of Consolidation

a. Principles for preparation of the consolidated financial statements

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

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

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

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

Transactions and balances, and any income and expenses arising from intra-group transactions 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		
			2021	2020	
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 services	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)	Cloud and information services	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%	-
TVC	momo.com Inc. (momo)	Wholesale and retail sales	45.01%	45.01%	-
	TWM Film Co., Ltd. (TWMFM)	Film production	100.00%	-	Note 2
TFN	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00%	100.00%	Note 1
TWM Holding	TWM Communications (Beijing) Co., Ltd. (TWMC)	Data communication application development	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 services	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 3
	Phoenix Cable TV Co., Ltd. (PCTV)	Cable TV service provider	100.00%	100.00%	-
	Union Cable TV Co., Ltd. (UCTV)	Cable TV service provider	99.22%	99.22%	-
	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV service provider	92.38%	92.38%	-
	UCTV	Cable TV service provider	0.76%	0.76%	-
GFMT GWMT momo	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%	-
	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%	-

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Ownership		Note
			2021	2020	
momo	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%	100.00%	-
	MFS Co., Ltd. (MFS)	Wholesaling	100.00%	100.00%	-
	Prosperous Living Co., Ltd. (Prosperous Living)	Wholesale and retail sales	73.62%	-	Note 4
Asian Crown (BVI)	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)					

(Concluded)

Note 1: TCCI, TUI and TID collectively owned 698,752 thousand shares of TWM, representing 19.86% of total outstanding shares as of December 31, 2021.

Note 2: Set up in April 2021.

Note 3: The other 70.47% of shares were held under trustee accounts.

Note 4: Set up in November 2021 and owned 73.62% equity interest.

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 - expired share options.

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 costs or 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 investment plus 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.

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. The costs include professional service fee. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

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, 2022 were adjusted due to the COVID-19 pandemic. 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, investment properties, 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. Replacement

For a service concession agreement, the costs paid for the obligation for maintenance or replacement should be recognized as expenses and liabilities before returning the construction to the grantor.

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.

b. Revenue recognition

The Group recognizes revenue when the performance obligations are satisfied over time or at a point in time according to the contracts with customers. The conditions are described in Note 4.

Key Sources of Estimation Uncertainty

a. Impairment of notes and accounts receivable

The provision for impairment of notes and accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the past default records of the customers and an analysis of the customers' current financial positions, as well as forward-looking indicators such as the industrial economic conditions. For details of the key assumptions and inputs used, see Note 8.

b. Provision for inventory valuation and obsolescence

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 costs or selling expenses. The weighted-average method is used in the calculation of cost.

c. Impairment 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.

d. Impairment of property, plant, and equipment, right-of-use assets, investment properties, 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.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand and revolving funds	\$ 115,796	\$ 100,230
Cash in banks	9,792,564	6,199,436
Time deposits	3,358,087	2,035,253
Government bonds with repurchase rights	<u>2,135,578</u>	<u>2,442,872</u>
	<u>\$ 15,402,025</u>	<u>\$ 10,777,791</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
<u>Investments in equity instruments - current</u>		
Domestic investments		
Listed stocks	\$ 253,214	\$ 236,913
Foreign investments		
Unlisted stocks	<u>15,179</u>	<u>8,533</u>
	<u>\$ 268,393</u>	<u>\$ 245,446</u>
<u>Investments in equity instruments - non-current</u>		
Domestic investments		
Listed stocks	\$ 1,458,745	\$ 981,427
Unlisted stocks	608,146	657,756
Foreign investments		
Unlisted stocks	946,097	400,736
Limited partnerships	<u>689,647</u>	<u>249,827</u>
	<u>\$ 3,702,635</u>	<u>\$ 2,289,746</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 fair value through other comprehensive income (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

	December 31	
	2021	2020
Notes receivable	\$ 33,376	\$ 109,259
Accounts receivable	7,682,979	7,835,539
Less: Allowance for impairment loss	<u>(334,941)</u>	<u>(306,755)</u>
	<u>\$ 7,381,414</u>	<u>\$ 7,638,043</u>

The main credit terms range from 30 to 90 days.

The Group serves a large consumer base for its 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 only trading with corporate counterparties with a considerable scale of operations, certain credit ratings and financial conditions for telecommunications service and products. 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 approach considering the past default records 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 the allowance for doubtful notes and accounts receivable by individual and collective assessment were as follows:

December 31, 2021

	Not Past Due	Overdue			Total
		1 to 120 Days	121 to 365 Days	Over 365 Days	
Gross carrying amount	\$ 7,017,682	\$ 534,576	\$ 159,467	\$ 4,630	\$ 7,716,355
Loss allowance (Lifetime ECLs)	<u>(51,762)</u>	<u>(128,302)</u>	<u>(150,247)</u>	<u>(4,630)</u>	<u>(334,941)</u>
Amortized cost	<u>\$ 6,965,920</u>	<u>\$ 406,274</u>	<u>\$ 9,220</u>	<u>\$ -</u>	<u>\$ 7,381,414</u>

December 31, 2020

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

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 services	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	
	2021	2020
Beginning balance	\$ 306,755	\$ 345,458
Add: Provision	209,730	185,257
Recovery	43,263	39,711
Less: Write-off	<u>(224,807)</u>	<u>(263,671)</u>
Ending balance	<u>\$ 334,941</u>	<u>\$ 306,755</u>

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

	For the Year Ended December 31	
	2021	2020
Amount of accounts receivable sold	<u>\$ 716,882</u>	<u>\$ 918,412</u>
Proceeds from the sale of accounts receivable	<u>\$ 58,058</u>	<u>\$ 52,589</u>

9. INVENTORIES

	December 31	
	2021	2020
Merchandise	\$ 6,430,041	\$ 5,756,903
Materials for maintenance	<u>10,075</u>	<u>9,361</u>
	<u>\$ 6,440,116</u>	<u>\$ 5,766,264</u>

For the years ended December 31, 2021 and 2020, the cost of goods sold related to inventories amounted to \$93,218,301 thousand and \$72,621,530 thousand, respectively, which included the reversal of inventory write-down totaling \$20,459 thousand, and the inventory write-down totaling \$74,188 thousand, respectively.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

Investee Company	December 31			
	2021		2020	
	Amount	% of Ownership	Amount	% of Ownership
AppWorks Ventures Co., Ltd. (AppWorks)	\$ 270,997	51.00	\$ 265,526	51.00
AppWorks Fund III Co., Ltd. (AppWorks Fund III)	689,849	20.14	315,027	20.11
Global Home Shopping Co., Ltd. (GHS)	571,213	20.00	606,376	20.00
kbro Media Co., Ltd. (kbro Media)	141,885	33.58	167,135	33.58
TV Direct Public Company Limited (TV Direct)	120,346	21.35	192,103	24.99
NADA Holdings Corp. (NADA)	59,705	37.93	-	-
Mistake Entertainment Co., Ltd. (M.E.)	26,494	15.00	25,698	15.00
Taiwan Pelican Express Co., Ltd. (TPE)	-	-	386,414	15.50
Alliance Digital Tech Co., Ltd. (ADT)	-	-	8,615	14.40
	<u>\$ 1,880,489</u>		<u>\$ 1,966,894</u>	

Aggregate information of associates that were not individually material:

	For the Year Ended December 31	
	2021	2020
The Group's share of:		
Profit (loss)	\$ (19,681)	\$ 99,891
Other comprehensive income (loss)	<u>(13,577)</u>	<u>16,819</u>
Comprehensive income (loss)	<u>\$ (33,258)</u>	<u>\$ 116,710</u>

a. 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.

b. 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. As of December 31, 2021 and 2020, TVC's percentage of ownership interest in AppWorks Fund III were 20.14% and 20.11%, respectively, due to non-proportionate subscription to AppWorks Fund III's issuance of new capital stock.

c. 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.

d. kbro Media

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

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

e. TV Direct

In April 2014, momo acquired 35% equity interest of TVD Shopping Co., Ltd. (TVD Shopping). In March 2020, momo received \$33,298 thousand as a proportional capital reduction. In June 2020, momo sold all of its equity interest of TVD Shopping to TV Direct for \$146,772 thousand.

In June 2020, momo acquired 16.2% equity interest of TV Direct and had significant influence on TV Direct. As of December 31, 2020, momo's percentage of ownership interest in TV Direct were 24.99% due to its additional acquisitions of TV Direct in the second half of 2020. momo's percentage of ownership interest in TV Direct then decreased to 21.35% due to non-subscription to the exercise of the share options, which were granted by TV Direct for the year ended 2021.

f. NADA

In December 2021, TVC acquired 37.93% equity interest of NADA. Although TVC was the single largest stockholder of NADA, it only obtained 2 out of 5 seats of the board of directors. In addition, the management considered the size of ownership interest and the dispersion of shares owned by other stockholders. The other holdings were not extremely dispersed. Therefore, TVC has no control over NADA but significant influence.

g. M.E.

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

h. 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, and momo's percentage of ownership interest in TPE decreased to 15.5% since momo sold other portion of its equity interests in TPE, whilst momo still had 2 seats on TPE's board of directors. In March 2021, momo sold the rest of its equity interests in TPE for \$466,547 thousand.

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 to adopt December 31, 2018 as the dissolution date. In August 2021, ADT completed the liquidation procedures, and TWM received a liquidation capital return of \$7,830 thousand.

11. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Subsidiary	Proportion of Non-controlling Interests' Ownership and Voting Rights	
	December 31	
	2021	2020
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	
	2021	2020
Current assets	\$ 14,923,554	\$ 9,932,680
Non-current assets	15,564,958	15,349,820
Current liabilities	(12,793,604)	(9,651,475)
Non-current liabilities	<u>(1,372,429)</u>	<u>(1,207,579)</u>
Equity	<u>\$ 16,322,479</u>	<u>\$ 14,423,446</u>
Equity attributable to:		
Owners of the parent	\$ 10,493,176	\$ 9,671,655
Non-controlling interests of momo	5,739,281	4,735,804
Non-controlling interests of momo's subsidiaries	<u>90,022</u>	<u>15,987</u>
	<u>\$ 16,322,479</u>	<u>\$ 14,423,446</u>

	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ 88,396,696	\$ 67,198,104
Profit	\$ 3,275,266	\$ 1,938,938
Other comprehensive income (loss)	(13,281)	34,100
Comprehensive income	\$ 3,261,985	\$ 1,973,038
Profit (loss) attributable to:		
Owners of the parent	\$ 1,479,218	\$ 874,776
Non-controlling interests of momo	1,801,082	1,068,528
Non-controlling interests of momo's subsidiaries	(5,034)	(4,366)
	\$ 3,275,266	\$ 1,938,938
Comprehensive income (loss) attributable to:		
Owners of the parent	\$ 1,473,276	\$ 890,083
Non-controlling interests of momo	1,793,824	1,087,225
Non-controlling interests of momo's subsidiaries	(5,115)	(4,270)
	\$ 3,261,985	\$ 1,973,038
	For the Year Ended December 31	
	2021	2020
Net cash generated from operating activities	\$ 5,720,847	\$ 3,725,682
Net cash used in investing activities	(158,001)	(911,614)
Net cash used in financing activities	(1,813,450)	(1,571,250)
Effect of exchange rate changes	(245)	313
Net increase in cash	\$ 3,749,151	\$ 1,243,131
Dividends paid to non-controlling interests	\$ 770,113	\$ 654,596

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, 2021	\$ 9,101,010	\$ 5,725,270	\$ 96,632,051	\$ 9,934,447	\$ 2,950,912	\$ 124,343,690
Additions	-	5,798	195,750	281,290	8,814,587	9,297,425
Disposals and retirements	(10,637)	(10,645)	(2,259,064)	(299,473)	(58)	(2,579,877)
Reclassification	7,842	3,438	9,779,665	322,589	(10,063,069)	50,465
Effect of exchange rate changes	-	-	(550)	(49)	-	(599)
Balance, December 31, 2021	\$ 9,098,215	\$ 5,723,861	\$ 104,347,852	\$ 10,238,804	\$ 1,702,372	\$ 131,111,104

(Continued)

	Land	Buildings	Telecommuni- cations Equipment and Machinery	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2021	\$ -	\$ 1,840,925	\$ 71,461,532	\$ 8,561,919	\$ -	\$ 81,864,376
Depreciation	-	163,125	7,352,725	732,455	-	8,248,305
Disposals and retirements	-	(4,762)	(2,137,769)	(293,347)	-	(2,435,878)
Reclassification	-	(4,899)	21	(21)	-	(4,899)
Effect of exchange rate changes	-	-	(497)	(43)	-	(540)
Balance, December 31, 2021	<u>\$ -</u>	<u>\$ 1,994,389</u>	<u>\$ 76,676,012</u>	<u>\$ 9,000,963</u>	<u>\$ -</u>	<u>\$ 87,671,364</u>
Carrying amount, December 31, 2021	<u>\$ 9,098,215</u>	<u>\$ 3,729,472</u>	<u>\$ 27,671,840</u>	<u>\$ 1,237,841</u>	<u>\$ 1,702,372</u>	<u>\$ 43,439,740</u>
<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	-	-	1,294	85	-	1,379
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>
<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>

(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

	December 31	
	2021	2020
<u>Carrying amount</u>		
Land	\$ 500,385	\$ 530,915
Buildings	7,973,501	7,713,486
Telecommunications equipment and machinery	443,166	597,078
Others	<u>142,803</u>	<u>169,811</u>
	<u>\$ 9,059,855</u>	<u>\$ 9,011,290</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 4,260,142</u>	<u>\$ 3,694,764</u>
Depreciation charge for right-of-use assets		
Land	\$ 234,709	\$ 240,479
Buildings	3,566,614	3,459,092
Telecommunications equipment and machinery	157,664	180,374
Others	<u>61,003</u>	<u>61,661</u>
	<u>\$ 4,019,990</u>	<u>\$ 3,941,606</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, 2021 and 2020.

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amount</u>		
Current	<u>\$ 3,540,466</u>	<u>\$ 3,505,968</u>
Non-current	<u>\$ 5,552,881</u>	<u>\$ 5,530,987</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2021	2020
Land	0.61%-1%	0.74%-1%
Buildings	0.61%-1.2%	0.72%-1.2%
Telecommunications equipment and machinery	0.61%-4.38%	0.74%-4.38%
Others	0.61%-0.86%	0.74%-0.86%

c. Material lease-in activities and terms

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

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses related to short-term leases	\$ 39,374	\$ 39,496
Expenses related to low-value asset leases	\$ 73,913	\$ 72,123
Expenses related to variable lease payments and not included in the measurement of lease liabilities	\$ 50,559	\$ 45,831
Total cash outflow for leases	\$ 4,264,912	\$ 4,151,778

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, 2021 and 2020, the fair values of investment properties were \$6,450,388 thousand and \$6,160,847 thousand, respectively, and the capitalization rates for the aforementioned financial reporting periods were ranging from 1.37%-5.23% and 1.46%-5.23%, respectively.

The amounts of depreciation recognized for the years ended December 31, 2021 and 2020 were \$18,314 thousand and \$19,779 thousand, respectively.

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

	December 31	
	2021	2020
Year 1	\$ 136,396	\$ 135,195
Year 2	75,234	129,010
Year 3	20,752	76,399
Year 4	16,624	24,532
Year 5	13,711	22,392
Year 6 and thereafter	-	18,517
	<u>\$ 262,717</u>	<u>\$ 406,045</u>

15. INTANGIBLE ASSETS

	Concessions		Goodwill	Other Intangible Assets					Total
	Concession Licenses	Service Concessions		Computer Software	Customer Relationships	Operating Rights	Trademarks	Copyrights	
Cost									
Balance, January 1, 2021	\$ 71,699,375	\$ 8,180,078	\$ 15,872,595	\$ 3,231,391	\$ 2,654,089	\$ 1,382,000	\$ 2,517,900	\$ 63,133	\$ 105,600,561
Additions	-	-	-	225,525	-	-	455	10,588	236,568
Disposals and retirements	-	-	-	(58,619)	-	-	-	-	(58,619)
Reclassification	-	-	-	21,316	-	-	-	83,707	105,023
Effect of exchange rate changes	-	-	-	(91)	-	-	-	-	(91)
Balance, December 31, 2021	<u>\$ 71,699,375</u>	<u>\$ 8,180,078</u>	<u>\$ 15,872,595</u>	<u>\$ 3,419,522</u>	<u>\$ 2,654,089</u>	<u>\$ 1,382,000</u>	<u>\$ 2,518,355</u>	<u>\$ 157,428</u>	<u>\$ 105,883,442</u>
Accumulated amortization and impairment									
Balance, January 1, 2021	\$ 13,687,264	\$ 1,388,744	\$ 53,487	\$ 2,864,980	\$ 1,783,463	\$ -	\$ 1,725	\$ 54,387	\$ 19,834,050
Amortization	4,131,301	178,719	-	271,084	136,400	-	145	62,867	4,780,516
Disposals and retirements	-	-	-	(58,619)	-	-	-	-	(58,619)
Effect of exchange rate changes	-	-	-	(68)	-	-	-	-	(68)
Balance, December 31, 2021	<u>\$ 17,818,565</u>	<u>\$ 1,567,463</u>	<u>\$ 53,487</u>	<u>\$ 3,077,377</u>	<u>\$ 1,919,863</u>	<u>\$ -</u>	<u>\$ 1,870</u>	<u>\$ 117,254</u>	<u>\$ 24,555,879</u>
Carrying amount, December 31, 2021	<u>\$ 53,880,810</u>	<u>\$ 6,612,615</u>	<u>\$ 15,819,108</u>	<u>\$ 342,145</u>	<u>\$ 734,226</u>	<u>\$ 1,382,000</u>	<u>\$ 2,516,485</u>	<u>\$ 40,174</u>	<u>\$ 81,327,563</u>
Cost									
Balance, January 1, 2020	\$ 41,043,375	\$ 8,180,078	\$ 15,872,595	\$ 4,096,570	\$ 2,654,089	\$ 1,382,000	\$ 2,517,884	\$ 25,197	\$ 75,771,788
Additions	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>
Accumulated amortization and impairment									
Balance, January 1, 2020	\$ 10,303,927	\$ 1,210,025	\$ 40,155	\$ 3,465,304	\$ 1,647,063	\$ -	\$ 1,642	\$ 25,197	\$ 16,693,313
Amortization	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 losses	-	-	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>

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. 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.

b. 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 services and cable television and broadband 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.

c. Goodwill

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

	December 31	
	2021	2020
Mobile communication services	\$ 7,211,936	\$ 7,211,936
Fixed network services	357,970	357,970
Retail business	4,979,566	4,979,566
Cable television and broadband business	<u>3,269,636</u>	<u>3,269,636</u>
	<u>\$ 15,819,108</u>	<u>\$ 15,819,108</u>

d. Impairment of assets

In conformity with IAS 36 "Impairment of Assets", the Group identified its mobile communication services, fixed network services, retail business, and cable television and broadband 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 services

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, 2021 and 2020, the discount rates used to calculate the recoverable amount for the asset's cash-generating unit were 6.01% and 5.93%, respectively.

2) Fixed network services

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, 2021 and 2020, the discount rates used to calculate the recoverable amount for the asset's cash-generating unit were 6.61% and 6.51%, respectively.

3) 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, 2021 and 2020, the discount rates used to calculate the recoverable amount for the asset's cash-generating unit were 8.94% and 10.48%, respectively.

4) Cable television and broadband 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, 2021 and 2020, the discount rates used to calculate the recoverable amount for the asset's cash-generating unit for each system operator were ranged from 8.02% to 9.03% and 7.41% to 8.46%, respectively.

Based on the key assumptions of each cash-generating unit, the Group's management believes that the carrying amounts of these operating assets and intangible assets will not exceed their recoverable amounts even if there are any reasonable changes in the critical assumptions used to estimate recoverable amounts. For the year ended December 31, 2021, impairment losses on assets did not occur. For the year ended December 31, 2020, impairment losses on goodwill, totaling \$13,332 thousand 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

	December 31	
	2021	2020
Long-term accounts receivable	\$ 214,054	\$ 296,045
Refundable deposits	751,641	698,876
Other prepayments	527,264	119,006
Others	<u>465,310</u>	<u>474,177</u>
	<u>\$ 1,958,269</u>	<u>\$ 1,588,104</u>

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Unsecured loans	<u>\$ 20,510,000</u>	<u>\$ 9,800,000</u>
Annual interest rates	0.55%-0.94%	0.64%-0.88%

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

b. Short-term notes and bills payable

	December 31	
	2021	2020
Short-term notes and bills payable	\$ 4,600,000	\$ 14,200,000
Less: Discounts on short-term notes and bills payable	<u>(2,207)</u>	<u>(4,615)</u>
	<u>\$ 4,597,793</u>	<u>\$ 14,195,385</u>
Annual interest rates	0.398%-0.458%	0.328%-0.418%

c. Long-term borrowings

	December 31	
	2021	2020
Unsecured loans	\$ -	\$ 2,000,000
Secured loans	2,332,623	2,586,036
Commercial papers payable	6,500,000	6,500,000
Less: Current portion	(273,459)	(2,303,375)
Less: Discounts on commercial papers payable	<u>(2,191)</u>	<u>(2,580)</u>
	<u>\$ 8,556,973</u>	<u>\$ 8,780,081</u>
Annual interest rates:		
Unsecured loans	-	0.79%
Secured loans	1.50%	1.7495%
Commercial papers payable	0.687%-0.697%	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. Some credit facilities are subject to financial covenants regarding debt ratios and interest protection multiples during the credit facility period. The unsecured loans, whose expiry date of the repayments was in July 2021, were fully repaid.

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 had been terminated in advance. 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.

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

	December 31	
	2021	2020
5th domestic unsecured straight corporate bonds	\$ 14,994,030	\$ 14,991,472
6th domestic unsecured straight corporate bonds	19,984,764	19,981,751
7th domestic unsecured straight corporate bonds	2,496,703	-
3rd domestic unsecured convertible bonds	-	632,030
Less: Current portion	<u>-</u>	<u>(632,030)</u>
	<u>\$ 37,475,497</u>	<u>\$ 34,973,223</u>

a. 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, 2021, the amount of unamortized bond issue cost was \$5,970 thousand. The trustee of bond holders is Bank of Taiwan.

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

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

b. 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, 2021, the amount of unamortized bond issue cost was \$15,236 thousand. The trustee of bond holders is Bank of Taiwan.

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

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

c. 7th domestic unsecured straight corporate bonds

On July 13, 2020, TWM issued the 7th domestic unsecured straight corporate bonds. The bond was seven-year bond, with the principal amount of \$2,500,000 thousand, having a face value of \$10,000 thousand, and coupon rate of 0.53% per annum, with simple interest due annually. Repayment will be made in full at maturity. As of December 31, 2021, the amount of unamortized bond issue cost was \$3,297 thousand. The trustee of bond holders is Bank of Taiwan.

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

Year	Amount
2028	<u>\$ 2,500,000</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 \$91.8 per share since August 29, 2021. 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.

Proceeds from 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 the effective interest rate	240,318
Convertible bonds converted into common stock	<u>(9,160,893)</u>
Liability component on December 31, 2020	632,030
Interest charged at the effective interest rate	4,735
Convertible bonds converted into common stock	(626,065)
Repayment of the convertible bonds	<u>(10,700)</u>
Liability component on December 31, 2021	<u>\$ -</u>

As of December 31, 2021 and 2020, the bondholders had requested to convert the bonds at face values of \$9,989,300 thousand and \$9,362,800 thousand, respectively.

The above-mentioned convertible bonds were due on November 22, 2021. The repayment of \$10,700 thousand had been made on December 6, 2021.

19. PROVISIONS

	December 31			
	2021		2020	
Restoration	\$ 995,275		\$ 1,110,392	
Replacement	447,279		385,375	
Warranties	<u>23,774</u>		<u>21,935</u>	
	<u>\$ 1,466,328</u>		<u>\$ 1,517,702</u>	
Current	\$ 74,007		\$ 68,531	
Non-current	<u>1,392,321</u>		<u>1,449,171</u>	
	<u>\$ 1,466,328</u>		<u>\$ 1,517,702</u>	
	Restoration	Replacement	Warranties	Total
Balance, January 1, 2021	\$ 1,110,392	\$ 385,375	\$ 21,935	\$ 1,517,702
Provision	39,045	52,880	34,354	126,279
Payment/Reversal	(157,321)	(1,696)	(32,515)	(191,532)
Unwinding of discount	<u>3,159</u>	<u>10,720</u>	<u>-</u>	<u>13,879</u>
Balance, December 31, 2021	<u>\$ 995,275</u>	<u>\$ 447,279</u>	<u>\$ 23,774</u>	<u>\$ 1,466,328</u>
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>

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

Domestic firms of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed and defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The employees of the Group's subsidiaries in other countries are participants of state-managed retirement benefit plans operated by local governments. In accordance with the above provisions, the Group's contributions to the pension plan amounted to \$347,738 thousand and \$329,335 thousand for the years ended December 31, 2021 and 2020, 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:

	December 31	
	2021	2020
Present value of defined benefit obligations	\$ 1,534,000	\$ 1,564,818
Fair value of plan assets	<u>(1,070,438)</u>	<u>(1,030,747)</u>
Net defined benefit liabilities	<u>\$ 463,562</u>	<u>\$ 534,071</u>

The movements in present value of defined benefit obligations for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31	
	2021	2020
Balance, January 1	\$ 1,564,818	\$ 1,500,604
Current service costs	1,905	2,041
Past service costs	(1,163)	(62)
Interest costs	7,370	12,949
Actuarial loss - changes in demographic assumptions	46,251	6,236
Actuarial loss (gain) - changes in financial assumptions	(48,379)	78,761
Actuarial gain - experience adjustments	(20,075)	(7,089)
Benefits paid from plan assets	(16,727)	(23,066)
Paid from defined benefit obligations	<u>-</u>	<u>(5,556)</u>
Balance, December 31	<u>\$ 1,534,000</u>	<u>\$ 1,564,818</u>

The movements in the fair value of the plan assets for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31	
	2021	2020
Balance, January 1	\$ 1,030,747	\$ 983,429
Net interest income	5,020	8,682
Return on plan assets (excluding amounts included in net interest)	13,383	30,657
Contributions from the employer	38,015	31,045
Benefits paid from plan assets	<u>(16,727)</u>	<u>(23,066)</u>
Balance, December 31	<u>\$ 1,070,438</u>	<u>\$ 1,030,747</u>

The expenses recognized in profit or loss for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31	
	2021	2020
Current service costs	\$ 1,905	\$ 2,041
Past service costs	(1,163)	(62)
Interest costs	7,370	12,949
Net interest income	<u>(5,020)</u>	<u>(8,682)</u>
	<u>\$ 3,092</u>	<u>\$ 6,246</u>

The pre-tax remeasurements recognized in other comprehensive income (loss) for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31	
	2021	2020
Return on plan assets (excluding amounts included in net interest)	\$ (13,383)	\$ (30,657)
Actuarial loss - changes in demographic assumptions	46,251	6,236
Actuarial loss (gain) - changes in financial assumptions	(48,379)	78,761
Actuarial gain - experience adjustments	<u>(20,075)</u>	<u>(7,089)</u>
	<u>\$ (35,586)</u>	<u>\$ 47,251</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:

	December 31	
	2021	2020
Discount rate	0.5%-0.7%	0.35%-0.5%
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:

	December 31	
	2021	2020
Discount rate		
0.25% increase	<u>\$ (46,381)</u>	<u>\$ (50,430)</u>
0.25% decrease	<u>\$ 48,242</u>	<u>\$ 52,565</u>
Long-term average adjustment rate of salary		
0.25% increase	<u>\$ 46,610</u>	<u>\$ 50,680</u>
0.25% decrease	<u>\$ (45,068)</u>	<u>\$ (48,906)</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.

	December 31	
	2021	2020
The expected contributions to the Plan for the following year	<u>\$ 34,815</u>	<u>\$ 32,148</u>
The average duration of the defined benefit obligation	10-15.7years	11-16.6 years

21. EQUITY

a. Share capital

As of December 31, 2021 and 2020, TWM's authorized capital was \$60,000,000 thousand and capital issued and outstanding were \$35,135,201 thousand and \$35,124,215 thousand, respectively, divided into 3,513,520 thousand shares and 3,512,421 thousand shares, respectively, which were all common stocks, at a par value of \$10 each.

As of December 31, 2021 and 2020, the bondholders of the 3rd domestic unsecured convertible bonds had requested to convert the bonds into 98,401 thousand and 91,589 thousand common stocks, respectively. As of December 31, 2021, the amounts recognized as capital collected in advance were \$57,135 thousand. TWM has completed the related corporate registration procedures with respect to the issuance of new stock on the record date in accordance with the relevant regulations.

b. Capital surplus

	December 31	
	2021	2020
Additional paid-in capital from convertible corporate bonds	\$ 11,107,455	\$ 13,102,020
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
Changes in equity of associates accounted for using equity method	10,828	26,342
Expired share options	13,269	-
Convertible bonds payable options	-	25,524
Others	<u>24,803</u>	<u>35,804</u>
	<u>\$ 16,903,239</u>	<u>\$ 18,936,574</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, treasury stock transactions, and the difference between consideration and carrying amount of subsidiaries' stock disposed of, 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. 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 earnings as legal reserve until the legal reserve equals the paid-in capital. The legal reserve may be used to 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.

Pursuant to existing regulations, TWM is required to set aside and reverse additional special reserve equivalent to the net debit balance of the other equity interests, such as the exchange differences on translation and unrealized gain or loss on financial assets at fair value through other comprehensive income.

The appropriations of earnings for 2020 and 2019 which have been resolved in the AGM on August 20, 2021 and June 18, 2020, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2020	2019
Legal reserve	\$ 1,330,074	\$ 1,248,117
Special reserve	2,449,739	(95,381)
Cash dividends	9,521,178	11,756,844
Cash dividends per share (NT\$)	3.38353	4.183

In addition, cash distributions arising from capital surplus with respect to the excess of stock issuance price over the par value of capital stock, totaling \$2,577,603 thousand and \$1,593,624 thousand and representing \$0.916 and \$0.567 per share, were resolved in the AGM; thus, total distributions were \$4.29953 and \$4.75 per share, respectively, for 2020 and 2019.

TWM's 2021 earnings appropriations will be proposed by the Board of Directors and approved in the AGM. Information on earnings appropriations is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity interests

	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Total
Balance, January 1, 2021	\$ (31,679)	\$ (2,418,060)	\$ (2,449,739)
Exchange differences on translation	(12,285)	-	(12,285)
Changes in fair value of financial assets at FVTOCI	-	848,765	848,765
Unrealized loss of equity instruments transferred to retained earnings due to disposal	-	2,209	2,209
Changes in other comprehensive income of associates accounted for using equity method	(330)	(21,598)	(21,928)
Other comprehensive income transferred to retained earnings due to disposal of investments accounted for using equity method	-	(22,885)	(22,885)
Other comprehensive loss transferred to retained earnings due to the decrease of percentage of ownership interest in the investments accounted for using equity method	-	849	849
Income tax effect	-	(168,401)	(168,401)
Balance, December 31, 2021	<u>\$ (44,294)</u>	<u>\$ (1,779,121)</u>	<u>\$ (1,823,415)</u>

(Continued)

	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Total
Balance, January 1, 2020	\$ (34,505)	\$ 473,410	\$ 438,905
Exchange differences on translation	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 (loss) 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	<u>-</u>	<u>42,694</u>	<u>42,694</u>
Balance, December 31, 2020	<u>\$ (31,679)</u>	<u>\$ (2,418,060)</u>	<u>\$ (2,449,739)</u> (Concluded)

e. Treasury stock

As of December 31, 2021 and 2020, 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 \$69,875,160 thousand and \$69,106,533 thousand, respectively. Since TWM's stocks held by its subsidiaries are regarded as treasury stock, TWM recognized \$29,717,344 thousand as treasury stock. For those treasury stockholders, they have the same rights as the other stockholders, except that they are not allowed to subscribe new shares issued by TWM for cash and exercise the voting rights over such treasury stock.

f. Non-controlling interests

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 6,625,112	\$ 6,158,984
Profit	1,837,044	1,107,225
Other comprehensive income		
Exchange differences on translation	(14,413)	3,574
Unrealized gain (loss) on financial assets at FVTOCI	(1,336)	3,253
Share of other comprehensive income of associates accounted for using equity method	8,351	12,170
Remeasurements of defined benefit plans	84	(217)
Changes in equity of associates accounted for using equity method	734	(1,490)
Changes in capital surplus due to disposal of investments accounted for using equity method	(20,968)	(3,344)
Cash dividends for non-controlling interests of subsidiaries	(770,513)	(655,043)
Increase in non-controlling interests	<u>79,150</u>	<u>-</u>
Ending balance	<u>\$ 7,743,245</u>	<u>\$ 6,625,112</u>

22. OPERATING REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Telecommunications and value-added services	\$ 45,058,294	\$ 44,766,375
Sales revenue	104,122,968	81,100,093
Cable TV and broadband services	5,968,850	6,018,939
Others	809,939	814,164
Other operating revenue	<u>149,482</u>	<u>161,413</u>
	<u>\$ 156,109,533</u>	<u>\$ 132,860,984</u>

a. Contract information

Please refer to Note 4 and Note 35.

b. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Contract assets			
Bundle sales	\$ 9,951,564	\$ 8,441,819	\$ 8,366,531
Less: Allowance for impairment loss	<u>(84,514)</u>	<u>(71,687)</u>	<u>(71,032)</u>
	<u>\$ 9,867,050</u>	<u>\$ 8,370,132</u>	<u>\$ 8,295,499</u>
Current	\$ 4,667,271	\$ 4,617,051	\$ 4,832,043
Non-current	<u>5,199,779</u>	<u>3,753,081</u>	<u>3,463,456</u>
	<u>\$ 9,867,050</u>	<u>\$ 8,370,132</u>	<u>\$ 8,295,499</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, 2021 and 2020, the expected credit loss rates were both 0.02%-0.85%.

Movements of the loss allowance of contract assets were as follows:

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 71,687	\$ 71,032
Provision	<u>12,827</u>	<u>655</u>
Ending balance	<u>\$ 84,514</u>	<u>\$ 71,687</u>

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities			
Telecommunications and value-added services	\$ 1,195,258	\$ 1,289,917	\$ 1,125,265
Sales of goods	154,895	36,981	42,417
Cable TV and broadband services	624,065	656,162	672,667
Others	<u>10,090</u>	<u>12,456</u>	<u>12,351</u>
	<u>\$ 1,984,308</u>	<u>\$ 1,995,516</u>	<u>\$ 1,852,700</u>
Current	\$ 1,894,828	\$ 1,892,749	\$ 1,807,407
Non-current	<u>89,480</u>	<u>102,767</u>	<u>45,293</u>
	<u>\$ 1,984,308</u>	<u>\$ 1,995,516</u>	<u>\$ 1,852,700</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>	
	2021	2020
Contract assets		
Transfers of beginning balance to receivables	\$ 4,668,487	\$ 4,872,478

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>	
	2021	2020
Contract liabilities		
Telecommunications and value-added services	\$ 1,156,434	\$ 1,059,456
Sales of goods	35,186	41,106
Cable TV and broadband services	646,471	662,605
Others	<u>12,341</u>	<u>10,978</u>
	<u>\$ 1,850,432</u>	<u>\$ 1,774,145</u>

c. Partially completed contracts

As of December 31, 2021, 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 2022	\$ 25,029,503	\$ 25,904	\$ 372,498	\$ 25,427,905
- in 2023	12,308,531	11,563	339,688	12,659,782
- after 2023	<u>5,660,533</u>	<u>-</u>	<u>2,089,051</u>	<u>7,749,584</u>
	<u>\$ 42,998,567</u>	<u>\$ 37,467</u>	<u>\$ 2,801,237</u>	<u>\$ 45,837,271</u>

The above information does not include contracts with expected durations which are equal to less than one year.

d. Assets related to contract costs

	December 31	
	2021	2020
Incremental costs of obtaining a contract - non-current	<u>\$ 1,828,387</u>	<u>\$ 1,771,884</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, 2021 and 2020 were \$1,409,231 thousand and \$1,718,101 thousand, respectively.

23. NON-OPERATING INCOME AND EXPENSES

a. Other gains and losses, net

	For the Year Ended December 31	
	2021	2020
Gain (loss) on disposal and retirement of property, plant and equipment, net	\$ 8,690	\$ (257,006)
Loss on disposal and retirement of intangible assets, net	-	(64,703)
Gain on disposal of investments accounted for using equity method	97,791	73,859
Valuation loss on financial assets at fair value through profit and loss (FVTPL)	(2,869)	(149)
Impairment loss on intangible assets	-	(13,332)
Loss on foreign exchange, net	(10,649)	(5,933)
Others	<u>1,297</u>	<u>(122)</u>
	<u>\$ 94,260</u>	<u>\$ (267,386)</u>

b. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest expense		
Corporate bonds	\$ 291,668	\$ 257,226
Bank loans	158,999	188,266
Commercial papers payable	72,774	58,851
Lease liabilities	77,557	86,572
Others	<u>26,815</u>	<u>27,673</u>
	<u>\$ 627,813</u>	<u>\$ 618,588</u>

24. INCOME TAX

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2021	2020
Current income tax expense		
Current period	\$ 2,975,359	\$ 2,988,136
Prior years' adjustments	<u>(357,625)</u>	<u>(18,314)</u>
	<u>2,617,734</u>	<u>2,969,822</u>
Deferred income tax expense		
Temporary differences	<u>138,632</u>	<u>94,191</u>
Income tax expense	<u>\$ 2,756,366</u>	<u>\$ 3,064,013</u>

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

	For the Year Ended December 31	
	2021	2020
Profit before tax	<u>\$ 15,581,575</u>	<u>\$ 15,457,791</u>
Income tax expense at domestic statutory tax rate	\$ 3,116,315	\$ 3,091,558
Effect of different tax rates on the group entities	(112)	481
Adjustment items in determining taxable profit	(148,417)	(104,834)
Temporary differences	138,632	94,191
Investment tax credits	(1,956)	(94)
Loss carryforwards	6,843	(1,817)
Land value increment tax	2,686	2,842
Prior years' adjustments	<u>(357,625)</u>	<u>(18,314)</u>
	<u>\$ 2,756,366</u>	<u>\$ 3,064,013</u>

b. Income tax recognized in other comprehensive income (loss)

	For the Year Ended December 31	
	2021	2020
Deferred income tax expense (income)		
Unrealized gain (loss) on financial assets at FVTOCI	\$ 168,401	\$ (42,694)
Remeasurements from defined benefit plans	<u>7,117</u>	<u>(9,450)</u>
	<u>\$ 175,518</u>	<u>\$ (52,144)</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, 2021 and 2020 were as follows:

For the Year Ended December 31, 2021				
		Recognized in		
	Opening Balance	Profit or Loss	Other Comprehensive Income (Loss)	Closing Balance
<u>Deferred tax assets</u>				
Property, plant and equipment	\$ 329,339	\$ (86,492)	\$ -	\$ 242,847
Defined benefit plans	111,813	(6,985)	(7,117)	97,711
Financial assets at FVTOCI	113,051	(442)	(88,235)	24,374
Others	<u>329,164</u>	<u>15,648</u>	<u>-</u>	<u>344,812</u>
	<u>\$ 883,367</u>	<u>\$ (78,271)</u>	<u>\$ (95,352)</u>	<u>\$ 709,744</u>
<u>Deferred tax liabilities</u>				
Intangible assets	\$ 1,052,243	\$ 53,246	\$ -	\$ 1,105,489
Financial assets at FVTOCI	5,311	-	80,166	85,477
Others	<u>6,180</u>	<u>7,115</u>	<u>-</u>	<u>13,295</u>
	<u>\$ 1,063,734</u>	<u>\$ 60,361</u>	<u>\$ 80,166</u>	<u>\$ 1,204,261</u>
For the Year Ended December 31, 2020				
		Recognized in		
	Opening Balance	Profit or Loss	Other Comprehensive Income (Loss)	Closing Balance
<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>

2) Unrecognized deferred tax assets items

	December 31	
	2021	2020
Loss carryforwards	<u>\$ 127,594</u>	<u>\$ 154,690</u>

As of December 31, 2021, the Group had not recognized the prior years' loss carryforwards, totaling \$127,594 thousand, as deferred tax assets. The expiry years are from 2022 to 2031.

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:

Company	Year
TWM	2018
TCC	2019
WMT	2019
TVC	2019
TNH	2019
TFN	2019
TT&T	2019
TCCI	2019
TDS	2019
TPIA	2020
TFC	2020
TUI	2019
TID	2020
TKT	2019
TFNM	2019
GFMT	2020
GWMT	2019
WTVB	2019
YJCTV	2019
MCTV	2019
PCTV	2019
UCTV	2019
GCTV	2019
momo	2019
FLI	2020
FPI	2020
FST	2020
Bebe Poshe	2020
FSL	2020

25. EARNINGS PER SHARE

For the Year Ended December 31, 2021			
	Amount After Income Tax	Weighted- average Number of Shares (In Thousands)	EPS (NT\$)
Basic EPS			
Profit attributable to owners of the parent	\$ 10,988,165	2,814,930	<u>\$ 3.90</u>
Effect of dilutive potential common stock:			
Employees' compensation	-	4,221	
Convertible bonds	<u>4,735</u>	<u>5,669</u>	
Diluted EPS			
Profit attributable to owners of the parent (adjusted for potential effect of common stock)	<u>\$ 10,992,900</u>	<u>2,824,820</u>	<u>\$ 3.89</u>
For the Year Ended December 31, 2020			
	Amount After Income Tax	Weighted- average Number of Shares (In Thousands)	EPS (NT\$)
Basic EPS			
Profit attributable to owners of the parent	\$ 11,286,553	2,811,916	<u>\$ 4.01</u>
Effect of dilutive potential 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>

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, 2021

	Opening Balance	Cash Flows	Non-cash Changes		Ending Balance
			New Leases	Others	
Lease liabilities (including current and non-current portions)	<u>\$ 9,036,955</u>	<u>\$ (4,071,723)</u>	<u>\$ 4,256,234</u>	<u>\$ (128,119)</u>	<u>\$ 9,093,347</u>

For the Year Ended December 31, 2020

	Opening Balance	Cash Flows	Non-cash Changes		Ending Balance
			New Leases	Others	
Lease liabilities (including current and non-current portions)	\$ 9,650,389	\$ (3,967,461)	\$ 3,691,184	\$ (337,157)	\$ 9,036,955

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

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at FVTPL (including current and non-current portions) (Note 1)	\$ 273,767	\$ -
Financial assets at FVTOCI (including current and non-current portions)	3,971,028	2,535,192
Financial assets measured at amortized cost (including current and non-current portions) (Note 2)	<u>27,891,041</u>	<u>21,990,185</u>
Total	<u>\$ 32,135,836</u>	<u>\$ 24,525,377</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (including current and non-current portions) (Note 3)	<u>\$ 96,632,676</u>	<u>\$ 93,671,945</u>

Note 1: Financial assets mandatorily measured at FVTPL

Note 2: 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 3: 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 measured 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 carrying amount of financial assets and liabilities that are not at fair value is close to the fair value, or the fair value cannot be reliably measured.

	December 31			
	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>				
Bonds payable (including current portion)	\$ 37,475,497	\$ 37,702,271	\$ 35,605,253	\$ 35,885,879

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, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Foreign unlisted stocks	\$ -	\$ -	\$ 1,502	\$ 1,502
Convertible notes	-	-	138,300	138,300
Limited partnerships	-	-	133,965	133,965
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,767</u>	<u>\$ 273,767</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 1,711,959	\$ -	\$ -	\$ 1,711,959
Domestic unlisted stocks	-	-	608,146	608,146
Foreign unlisted stocks	-	15,179	946,097	961,276
Limited partnerships	-	-	689,647	689,647
	<u>\$ 1,711,959</u>	<u>\$ 15,179</u>	<u>\$ 2,243,890</u>	<u>\$ 3,971,028</u>
				(Concluded)

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 1,218,340	\$ -	\$ -	\$ 1,218,340
Domestic unlisted stocks	-	-	657,756	657,756
Foreign unlisted stocks	-	8,533	400,736	409,269
Limited partnerships	-	-	249,827	249,827
	<u>\$ 1,218,340</u>	<u>\$ 8,533</u>	<u>\$ 1,308,319</u>	<u>\$ 2,535,192</u>

There was no transfer between the fair value measurements of Levels 1 and 2 for the years ended December 31, 2021 and 2020.

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 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 options of convertible bonds that adopted binomial tree valuation model were evaluated by the observable closing price of the stocks, volatility, risk-free interest rate, risk discount rate, and liquidity risk at the balance sheet date.

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

The evaluations of fair value of unlisted stocks and convertible notes were mainly referenced to the valuation of the same type of companies or the transaction prices of recent financing activities through the market approach or asset approach. The unobservable inputs were the liquidity discount rate and the stock price volatility. The liquidity discount rates were ranged from 20% to 27.4% and 10.7% to 25% as of December 31, 2021 and 2020, respectively. The stock price volatility was ranged from 50.5% to 55.9% as of December 31, 2021.

The fair value of limited partnerships investments was evaluated through the market approach, income approach and asset approach. The evaluation and assumptions are mainly referenced to related information of comparable transactions or companies and estimated future cash flows. The unobservable input was liquidity discount rate, which were estimated to be 26.2% and 33.5% as of December 31, 2021 and 2020, respectively.

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

For the Year Ended December 31, 2021

	Financial Assets at FVTPL - Financial Instruments	Financial Assets at FVTOCI - Equity Instruments
Balance at January 1, 2021	\$ -	\$ 1,308,319
Additions	276,636	588,407
Recognized in profit or loss (loss on financial assets at FVTPL)	(2,869)	-
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	587,110
Transferred out of Level 3 (Note)	<u>-</u>	<u>(239,946)</u>
Balance at December 31, 2021	<u>\$ 273,767</u>	<u>\$ 2,243,890</u>

Note: Because certain equity investment's quoted price (unadjusted) in active markets became available, its fair value hierarchy was transferred from Level 3 to Level 1.

For the Year Ended December 31, 2020

	Financial Assets at FVTPL - Financial Instruments	Financial Assets at FVTOCI - Equity Instruments
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)	<u>-</u>	<u>(247,765)</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 1,308,319</u>

c. Financial risk management

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

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

4) Liquidity risk

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

The Group manages and maintains a 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, 2021 and 2020, the Group had unused bank facilities of \$53,231,578 thousand and \$65,511,976 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:

	Contractual Cash Flows	Within 1 Year	1-5 Years	5-10 Years
<u>December 31, 2021</u>				
Unsecured loans	\$ 20,529,214	\$ 20,529,214	\$ -	\$ -
Secured loans	2,437,877	312,043	2,125,834	-
Commercial papers payable	11,186,827	4,642,649	6,544,178	-
Bonds payable	38,902,510	288,130	20,877,880	17,736,500
Lease liabilities	9,209,493	3,601,434	5,424,452	183,607
Other non-current liabilities	<u>511,875</u>	<u>73,125</u>	<u>292,500</u>	<u>146,250</u>
	<u>\$ 82,777,796</u>	<u>\$ 29,446,595</u>	<u>\$ 35,264,844</u>	<u>\$ 18,066,357</u>
<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	9,163,237	3,574,784	5,501,261	87,192
Other non-current liabilities	<u>585,000</u>	<u>73,125</u>	<u>292,500</u>	<u>219,375</u>
	<u>\$ 82,356,905</u>	<u>\$ 30,968,522</u>	<u>\$ 35,769,816</u>	<u>\$ 15,618,567</u>

5) Market risk

Market risk is the risk that arising from the changes in foreign exchange rates, interest rates, and prices, and 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 revenue 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:

December 31, 2021			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 47,496	27.66	\$ 1,313,781
EUR	1,273	31.25	39,797
RMB	27,887	4.341	121,059
Non-monetary items			
USD	69,035	27.66	1,909,511
RMB	131,586	4.341	571,213
HKD	4,279	3.547	15,179
THB	144,178	0.835	120,346
<u>Foreign currency liabilities</u>			
Monetary items			
USD	15,223	27.66	421,055
EUR	48	31.25	1,502
HKD	2,917	3.547	10,348
JPY	21,014	0.241	5,058
December 31, 2020			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<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

Refer to Note 23(a) for the information related to the Group's realized and unrealized foreign exchange gains (losses) for the years ended December 31, 2021 and 2020. 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 \$51,834 thousand and \$65,888 thousand for the years ended December 31, 2021 and 2020, 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:

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 7,104,028	\$ 5,218,262
Financial liabilities	78,889,675	76,502,983
Cash flow interest rate risk		
Financial assets	10,034,628	6,486,835
Financial liabilities	2,332,623	2,586,036

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 decreased by 50 basis points (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have decreased by \$38,510 thousand and \$19,504 thousand for the years ended December 31, 2021 and 2020, respectively.

c) Other market price risk

The exposure to financial instrument 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 financial instruments had decreased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), net income would have decreased by \$13,688 thousand since the fair value of financial assets at FVTPL decreased for the year ended December 31, 2021. Other comprehensive income would have decreased by \$198,551 thousand and \$126,760 thousand since the fair value of financial assets at FVTOCI decreased for the years ended December 31, 2021 and 2020, 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

Related Party	Nature of Relationship
GHS	Associate
AppWorks	Associate
AppWorks Fund III	Associate
kbro Media	Associate
M.E.	Associate
TV Direct	Associate
TPE	Associate (not a related party since the first quarter of 2021)
Beijing Global JiuSha Media Technology 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 the fourth quarter of 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.	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 Insurance Agency Co., Ltd.	Other related party (formerly known as Fu-Sheng Life Insurance Agency Co., Ltd.)
Fubon Insurance Agency Co., Ltd.	Other related party (formerly known as Fu-Sheng General Insurance Agency Co., Ltd.)

(Continued)

Related Party	Nature of Relationship
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
TFB Capital Co., Ltd.	Other related party
P. League+ Co., Ltd.	Other related party
Jih Sun Financial Holding Co., Ltd.	Other related party
Jih Sun Securities Co., Ltd.	Other related party
Jih Sun International Bank, Ltd.	Other related party
Jih Sun International Property Insurance Agent Co., Ltd.	Other related party
Jih Sun Life Insurance Agent Co., Ltd.	Other related party
Jih Sun Futures Co., Ltd.	Other related party
Jih Sun Securities Investment Consulting 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 (not a related party since the third quarter of 2021)
Dai-Ka Ltd. (Dai-Ka)	Other related party
AppWorks Fund II Co., Ltd.	Other related party
AppWorks Ventures II Limited	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 Co., Ltd.	Other related party
kbros Co., Ltd. (kbros)	Other related party
Daanwenshan CATV Co., Ltd.	Other related party
North Taoyuan CATV Co., Ltd.	Other related party
Yangmingshan CATV Co., Ltd.	Other related party
Hsin Taipei CATV Co., Ltd.	Other related party
Chinpingtao CATV Co., Ltd.	Other related party
Hsintangcheng CATV Co., Ltd.	Other related party
Chuanlien CATV Co., Ltd.	Other related party
Chen Tao Cable TV Co., Ltd.	Other related party
Fengmeng Cable TV Co., Ltd.	Other related party
Hsinpingtao CATV Co., Ltd.	Other related party
Kuansheng CATV Co., Ltd.	Other related party
Nantien CATV Co., Ltd.	Other related party
Taiwan Win TV Media Co., Ltd.	Other related party
Taiwan Mobile Foundation (TMF)	Other related party
Taipei New Horizon Foundation (TNHF)	Other related party
Fubon Cultural & Educational Foundation	Other related party
Fubon Charity Foundation	Other related party
Fubon Art Foundation	Other related party

(Continued)

Related Party	Nature of Relationship
Taipei Fubon Bank Charity Foundation	Other related party
Taipei New Horizon Management Agency	Other related party
Key management	Chairman, director, president, vice president, etc.

(Concluded)

c. Significant transactions with related parties

1) Operating revenue

	For the Year Ended December 31	
	2021	2020
Associates	\$ 10,622	\$ 47,301
Other related parties	<u>1,597,593</u>	<u>923,626</u>
	<u>\$ 1,608,215</u>	<u>\$ 970,927</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

	For the Year Ended December 31	
	2021	2020
Associates	\$ 129,423	\$ 813,516
Other related parties	<u>806,803</u>	<u>296,263</u>
	<u>\$ 936,226</u>	<u>\$ 1,109,779</u>

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

3) Receivables due from related parties

Account	Related Party Categories	December 31	
		2021	2020
Notes and accounts receivable	Associates	\$ 714	\$ 2,266
Notes and accounts receivable	Other related parties	<u>382,360</u>	<u>176,565</u>
		<u>\$ 383,074</u>	<u>\$ 178,831</u>
Other receivables	Associates	\$ -	\$ 63,244
Other receivables	Other related parties	<u>222,966</u>	<u>110,121</u>
		<u>\$ 222,966</u>	<u>\$ 173,365</u>

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

4) Payables due to related parties

Account	Related Party Categories	December 31	
		2021	2020
Notes and accounts payable	Associates	\$ 76	\$ 99,281
Notes and accounts payable	Other related parties	<u>338,484</u>	<u>61,275</u>
		<u>\$ 338,560</u>	<u>\$ 160,556</u>
Other payables	Other related parties	<u>\$ 30,904</u>	<u>\$ 16,189</u>

5) Prepayments

	December 31	
	2021	2020
Other related parties	<u>\$ 11,915</u>	<u>\$ 10,353</u>

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

	December 31	
	2021	2020
Other related parties		
TFCB	\$ 2,691,502	\$ 1,807,422
Others	<u>10,554</u>	<u>24,798</u>
	<u>\$ 2,702,056</u>	<u>\$ 1,832,220</u>

7) Acquisition of investments accounted for using equity method

Related Party Transaction	Transaction Period	Shares (In Thousands)	Purchase Price
Contributions to AppWorks Fund III's capital increase	2021	36,025	<u>\$ 364,767</u>
	2020	33,000	<u>\$ 330,000</u>
Contributions to kbros Media's capital increase	2020	4,875	<u>\$ 48,750</u>

8) Acquisition of property, plant and equipment

For the Year Ended December 31, 2021

	Purchase Price
Other related parties	<u>\$ 17,818</u>

9) Others

	December 31	
	2021	2020
Refundable deposits		
Other related parties	\$ 62,324	\$ 60,135
Other current liabilities - receipts under custody		
Other related parties	\$ 159,666	\$ 150,528
	For the Year Ended December 31	
	2021	2020
Operating expenses		
Associates	\$ 13,760	\$ 2,242
Other related parties		
TMF	17,100	15,650
TNHF	5,000	5,000
TFCB	245,523	195,966
Others	237,236	154,675
	\$ 518,619	\$ 373,533
Other income		
Associates	\$ 14,785	\$ 10,643
Other related parties		
TFCB	37,388	66,439
	\$ 52,173	\$ 77,082

10) Lease arrangements

Acquisition of right-of-use assets

	For the Year Ended December 31	
	2021	2020
Other related parties	\$ 391,338	\$ 35,483
<u>Lease liabilities (including current and non-current portions)</u>		

	December 31	
	2021	2020
Other related parties	\$ 661,441	\$ 440,183

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

d. Key management compensation

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

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 359,320	\$ 313,308
Termination and post-employment benefits	<u>15,328</u>	<u>7,757</u>
	<u>\$ 374,648</u>	<u>\$ 321,065</u>

30. ASSETS PLEDGED

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

	December 31	
	2021	2020
Other current financial assets	\$ 158,359	\$ 169,230
Service concessions	6,612,615	6,791,334
Other non-current financial assets	<u>358,570</u>	<u>355,432</u>
	<u>\$ 7,129,544</u>	<u>\$ 7,315,996</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	December 31	
	2021	2020
Purchases of property, plant and equipment	<u>\$ 6,290,114</u>	<u>\$ 8,695,105</u>
Purchases of inventories and sales commitments	<u>\$ 7,827,270</u>	<u>\$ 5,500,331</u>

As of December 31, 2021 and 2020, the amounts of lease commitments commencing after the balance sheet dates were \$2,137,020 thousand and \$619,099 thousand, respectively.

b. As of December 31, 2021 and 2020, the amounts of endorsements and guarantees provided to entities in the Group were \$24,750,000 thousand and \$21,550,000 thousand, respectively.

c. 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 would be paid with additional business tax from the signing date of the supplemental agreement; thus, the concession was increased by \$48,750 thousand. The rest of the concession will be paid over 14 years from fiscal year 2015. As of December 31, 2021, \$813,719 thousand (tax included) of the concession had been paid.

3) Performance guarantee:

As of December 31, 2021, 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.

- d. In August 2015, Far EasTone Telecommunications Co., Ltd. (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.

- e. On December 30, 2021, TWM's Board of Directors resolved and signed the merger agreement with Taiwan Star Telecom Corporation Limited (TST), in order to expand the business scale and boost the operating performance and competitiveness. The merger will be done in accordance with the Business Mergers And Acquisitions Act and TWM will be the surviving company. The tentative share exchange ratio is one TST share for 0.04508 TWM shares, with TWM anticipating to issue 282,222 thousand shares to the stockholders of TST. The merger is subject to regulatory approvals or adjustments, if any.

32. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In January 2022, the Board of Directors resolved that TWM would purchase mobile broadband equipment from Nokia Solutions and Networks Taiwan Co., Ltd. The total amount of the contract would not exceed \$4,205,000 thousand.

33. OTHERS

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

	For the Year Ended December 31					
	2021			2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 2,739,967	\$ 5,408,749	\$ 8,148,716	\$ 2,486,031	\$ 4,979,346	\$ 7,465,377
Insurance expenses	243,062	482,918	725,980	214,260	426,640	640,900
Pension	118,802	232,028	350,830	112,624	221,517	334,141
Others	127,719	277,917	405,636	119,928	262,079	382,007
Depreciation	11,280,990	1,005,619	12,286,609	10,091,596	1,014,474	11,106,070
Amortization	4,622,068	1,567,679	6,189,747	3,832,801	2,052,414	5,885,215

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, 2021 and 2020, 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 2021 and 2020 shown below were approved by the Board of Directors on February 22, 2022 and February 25, 2021, respectively. The differences between the approval amounts and the amounts recognized in the 2020 consolidated financial statements have been adjusted in the next year.

	For the Year Ended December 31			
	2021		2020	
	Employees' Compensation Paid in Cash	Remuneration of Directors	Employees' Compensation Paid in Cash	Remuneration of Directors
Amounts approved by the Board of Directors	\$ 362,061	\$ 36,206	\$ 390,869	\$ 39,087
Amounts recognized in the consolidated financial statements	\$ 362,061	\$ 36,206	\$ 351,782	\$ 35,178

Information on the employees' compensation and remuneration of directors approved by the Board of Directors is available at 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 pandemic 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: 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 11 (attached)

35. SEGMENT INFORMATION

a. Segment revenue and operating results

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 and broadband: providing pay TV and cable broadband services.

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

For the Year Ended December 31, 2021	Telecommuni- cations	Retail	Cable Television and Broadband	Others	Adjustments and Eliminations	Total
Operating revenue	\$ 64,012,244	\$ 88,396,696	\$ 6,236,739	\$ 536,152	\$ (3,072,298)	\$ 156,109,533
Operating costs and expenses	55,021,754	84,478,186	4,061,207	373,103	(3,193,757)	140,740,493
Operating income	9,600,165	4,042,072	2,176,421	163,407	70,976	16,053,041
For the Year Ended December 31, 2020	Telecommuni- cations	Retail	Cable Television and Broadband	Others	Adjustments and Eliminations	Total
Operating revenue	\$ 61,532,926	\$ 67,198,104	\$ 6,192,972	\$ 554,306	\$ (2,617,324)	\$ 132,860,984
Operating costs and expenses	50,369,598	65,082,725	3,982,001	375,438	(2,672,373)	117,137,389
Operating income	11,443,009	2,219,090	2,208,273	179,979	5,809	16,056,160

b. Geographical information

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

Consolidated geographic information for revenue was as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Taiwan, ROC	\$ 153,777,696	\$ 130,486,507
Overseas	<u>2,331,837</u>	<u>2,374,477</u>
	<u>\$ 156,109,533</u>	<u>\$ 132,860,984</u>

c. Information on major customers

The Group does not have revenues from a single customer that exceeds 10% of the consolidated operating revenues.

TABLE 1

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

**FINANCING EXTENDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

(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	\$ 388,000	0.86856%-0.86900%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 32,562,744	\$ 32,562,744	Note 2
			Other receivables	Yes	700,000	700,000	341,000	1.16867%-1.16878%	Short-term financing	-	Operation requirements	-	-	-	32,562,744	32,562,744	Note 2
2	WMT	TWM TKT TFNM WTVB	Other receivables	Yes	3,800,000	3,800,000	3,230,000	0.86867%-0.87033%	Short-term financing	-	Operation requirements	-	-	-	8,906,738	8,906,738	Note 2
			Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,906,738	8,906,738	Note 2
			Other receivables	Yes	2,500,000	2,150,000	350,000	0.86856%-0.87178%	Short-term financing	-	Operation requirements	-	-	-	8,906,738	8,906,738	Note 2
			Other receivables	Yes	1,200,000	1,200,000	760,000	0.86856%-0.87033%	Short-term financing	-	Operation requirements	-	-	-	8,906,738	8,906,738	Note 2
3	TVC	TWM	Other receivables	Yes	600,000	-	-	0.86867%	Short-term financing	-	Operation requirements	-	-	-	1,094,484	1,094,484	Note 2
4	TFN	TWM TCC	Other receivables	Yes	11,000,000	11,000,000	7,913,000	0.86856%-0.86900%	Short-term financing	-	Operation requirements	-	-	-	21,064,158	21,064,158	Note 2
			Other receivables	Yes	700,000	700,000	341,000	0.86867%-0.86878%	Short-term financing	-	Operation requirements	-	-	-	21,064,158	21,064,158	Note 2
5	YJCTV	TFNM	Other receivables	Yes	60,000	30,000	20,000	0.86878%-0.86900%	Transactions	419,015	-	-	-	-	419,015	419,015	Notes 3 and 4
6	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	0.86878%-0.86900%	Transactions	530,343	-	-	-	-	530,343	530,343	Notes 3 and 4
7	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	0.86878%-0.86900%	Short-term financing	-	Repayment of financing	-	-	-	286,090	286,090	Note 3

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

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

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

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

TABLE 2**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES****ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

No.	Company Providing Endorsements/ Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts (Note 1)	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor (Note 1)	Maximum Endorsements/ Guarantees Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	TWM	TFN	Note 2	\$ 42,000,000	\$ 21,500,000	\$ 21,500,000	\$ 6,500,000	\$ -	32.81	\$ 65,533,753	Y	N	N	Note 3
		TKT	Note 2	313,800	50,000	50,000	50,000	-	0.08	65,533,753	Y	N	N	Note 3
		TVC	Note 2	4,350,000	3,200,000	3,200,000	1,830,400	-	4.88	65,533,753	Y	N	N	Note 3

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

Note 2: Direct/indirect subsidiary.

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

TABLE 3

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)
DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	At the End of the Period				Note
				Units/Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
TWM	<u>Listed Stocks</u>							
	Chunghwa Telecom Co., Ltd.	-	Current financial assets at FVTOCI	2,174	\$ 253,214	0.028	\$ 253,214	
	Asia Pacific Telecom Co., Ltd.	-	Non-current financial assets at FVTOCI	97,171	798,745	2.25	798,745	
	<u>Unlisted Stocks</u>							
	LINE Bank Taiwan Limited	-	Non-current financial assets at FVTOCI	50,000	408,139	5	408,139	
	Bridge Mobile Pte. Ltd.	-	Non-current financial assets at FVTOCI	800	27,672	10	27,672	
	<u>Limited Partnerships</u>							
	Grand Academy Investment, L.P.	-	Non-current financial assets at FVTOCI	-	644,893	21.67	644,893	Note 1
TCC	Starview Heights Investment, L.P.	-	Non-current financial assets at FVTOCI	-	44,754	21.67	44,754	Note 1
	<u>Unlisted Stocks</u>							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at FVTOCI	6,998	100,563	5.21	100,563	
WMT	<u>Limited Partnerships</u>							
	The Last Thieves, L.P.	-	Current financial assets at FVTPL	-	-	7.14	-	Note 1
TVC	<u>Listed Stocks</u>							
	91APP, Inc.	-	Non-current financial assets at FVTOCI	2,500	660,000	2.07	660,000	
	<u>Unlisted Stocks</u>							
	Stampede Entertainment, Inc.	-	Non-current financial assets at FVTOCI	1,333	336,982	8.24	336,982	
	TIKI GLOBAL PTE. LTD.	-	Non-current financial assets at FVTOCI	760	553,784	2.51	553,784	
	FIGMENT INC.	-	Non-current financial assets at FVTOCI	-	27,659	0.11	27,659	Note 2
	17LIVE INC.	-	Non-current financial assets at FVTPL	38	1,502	0.015	1,502	
	<u>Limited Partnerships</u>							
	AUM CREATIVE FUND II	-	Non-current financial assets at FVTPL	-	2,939	16.21	2,939	Note 1
	Linse Capital Fund I, L.P.	-	Non-current financial assets at FVTPL	-	19,329	0.95	19,329	Note 1
	Pantera Blockchain Offshore Fund L.P.	-	Non-current financial assets at FVTPL	-	44,256	0.65	44,256	Note 1
	Pioneer Fund II L.P.	-	Non-current financial assets at FVTPL	-	30,383	20.19	30,383	Note 1
	Soma Capital Fund III, L.P.	-	Non-current financial assets at FVTPL	-	37,058	1.23	37,058	Note 1
	<u>Convertible Notes</u>							
	Carsome Group Pte Ltd.	-	Non-current financial assets at FVTPL	-	138,300	-	138,300	

(Continued)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	At the End of the Period				Note
				Units/Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
TCCI	<u>Listed Stocks</u> TWM	TWM	Non-current financial assets at FVTOCI	200,497	\$ 20,049,676	5.7	\$ 20,049,676	
	<u>Unlisted Stocks</u> Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at FVTOCI	10,000	38,267	6.67	38,267	
TUI	<u>Listed Stocks</u> TWM	TWM	Non-current financial assets at FVTOCI	410,665	41,066,528	11.67	41,066,528	
TID	<u>Listed Stocks</u> TWM	TWM	Non-current financial assets at FVTOCI	87,590	8,758,956	2.49	8,758,956	
momo	<u>Unlisted Stocks</u> Media Asia Group Holdings Limited	-	Current financial assets at FVTOCI	4,367	15,179	0.15	15,179	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at FVTOCI	3,140	61,177	7.85	61,177	

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

Note 2: The shares held as of the period ended were fewer than 1,000 shares.

Note 3: For the information on investments in subsidiaries and associates, see Table 8 and Table 10 for details.

(Concluded)

TABLE 4

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, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	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 (Note 1)	Units/Shares (In Thousands)	Amount (Note 2)
TWM	TVC	Investments accounted for using equity method	-	Subsidiary	160,500	\$ 1,587,474	57,000	\$ 570,000	-	\$ -	\$ -	\$ -	217,500	\$ 2,736,210
TVC	AppWorks Fund III	Investments accounted for using equity method	-	Associate	33,000	315,027	36,025	364,767	-	-	-	-	69,025	689,849
	TIKI GLOBAL PTE. LTD.	Non-current financial assets at FVTOCI	-	-	-	-	760	560,678	-	-	-	-	760	553,784
momo	TPE	Investments accounted for using equity method	Note 3	Note 3	14,793	386,414	-	-	14,793	466,547	410,229	99,052	-	-

Note 1: The amounts included capital surplus derecognized and other comprehensive income transferred in.

Note 2: The ending balance included the relevant adjustments to investments accounted for using equity method and financial assets.

Note 3: Sold on the open market.

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, 2021

(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
momo	Warehousing logistics construction	May 5, 2021	\$ 2,276,190	momo has paid \$115,129 thousand. The remaining amount will be settled in monthly instalments after the acceptance.	Li Jin Engineering Co., Ltd.	-	-	-	-	\$ -	Budget commitments had been approved by the Board of Directors, and determined by price comparison and price negotiation	Business development needs	None
	Land	September 3, 2021	1,321,137	momo has paid \$264,227 thousand. The remaining amounts will be settled in accordance with the contract.	Tung Chin Textile Co., Ltd.	-	-	-	-	-	Determined by the professional appraisal report and market conditions	Set up a central logistics center for operational needs	None

TABLE 6

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, 2021**

(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	\$ 178,998	-	Based on contract terms	-	-	\$ 30,565	1	Note 3
			Purchase	4,231,243	9	Based on contract terms	-	-	(439,969)	Note 2	Note 3
	TPIA	Subsidiary	Sale	193,005	-	Based on contract terms	-	-	78,994	1	Note 3
	TFNM	Subsidiary	Purchase	127,859	-	Based on contract terms	-	-	(31,842)	1	
	TKT	Subsidiary	Purchase	369,080	1	Based on contract terms	-	-	(81,033)	4	
	momo	Subsidiary	Sale	2,544,460	4	Based on contract terms	-	-	302,119	5	
			Purchase	224,268	1	Based on contract terms	-	-	(16,590)	1	
TWM&TDS	Fubon Ins.	Other related party	Sale	249,252	-	Based on contract terms	-	-	48,980	1	
TNH	TWM	Parent	Sale	124,156	23	Based on contract terms	-	-	6,353	53	
TFN	TFNM	Fellow subsidiary	Sale	183,501	2	Based on contract terms	-	-	30,032	3	
	TFC	Fellow subsidiary	Sale	106,326	1	Based on contract terms	-	-	19,158	2	
	Fubon Life	Other related party	Sale	133,263	2	Based on contract terms	-	-	11,603	1	
	kbro	Other related party	Sale	355,501	4	Based on contract terms	-	-	61,254	6	
TT&T	TWM	Ultimate parent	Sale	999,906	90	Based on contract terms	-	-	81,321	91	
	TFN	Fellow subsidiary	Sale	106,856	10	Based on contract terms	-	-	8,436	9	
TPIA	Fubon Ins.	Other related party	Sale	311,876	92	Based on contract terms	-	-	94,845	94	
TFNM	YJCTV	Subsidiary	Channel leasing fee	385,106	11	Based on contract terms	Note 1	Note 1	-	-	
	PCTV	Subsidiary	Channel leasing fee	490,628	14	Based on contract terms	Note 1	Note 1	-	-	
	UCTV	Subsidiary	Channel leasing fee	216,618	6	Based on contract terms	Note 1	Note 1	-	-	
	GCTV	Subsidiary	Channel leasing fee	176,578	5	Based on contract terms	Note 1	Note 1	-	-	
MCTV	Dai-Ka	Other related party	Royalty for copyright	154,723	51	Based on contract terms	Note 1	Note 1	(154,723)	93	
WTVB	kbro	Other related party	Sale	227,013	22	Based on contract terms	-	-	79,454	7	
momo	FSL	Subsidiary	Purchase	438,968	1	Based on contract terms	-	-	(142,499)	2	
	MFS	Subsidiary	Purchase	171,392	-	Based on contract terms	-	-	(21,950)	-	
	kbro	Other related party	Purchase	136,736	-	Based on contract terms	-	-	(112,054)	1	
	TPE	Associate	Purchase	127,694	-	Based on contract terms	-	-	-	-	Note 4

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.

Note 4: TPE has not been a related party since the first quarter of 2021.

TABLE 7

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021**

(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	\$ 302,119	7.86	\$ -	-	\$ 296,046	\$ -
			Other receivables	34,552		-	-	3,834	-
TCC	TWM	Parent	Other receivables	388,657		-	-	155	-
	TFC	Subsidiary	Other receivables	341,622		-	-	-	-
WMT	TWM	Parent	Other receivables	3,238,984		-	-	3,238,984	-
	TFNM	Subsidiary	Other receivables	351,291		-	-	1,291	-
	WTVB	Subsidiary	Other receivables	761,175		-	-	74	-
TFN	TWM	Ultimate parent	Accounts receivable	446,218	9.11	-	-	394,733	-
			Other receivables	7,986,799		-	-	23,699	-
	TCC	Parent	Other receivables	341,463		-	-	-	-
PCTV	TFNM	Parent	Accounts receivable	5,814	7.57	-	-	3,735	-
			Other receivables	520,036		-	-	35	-
GCTV	TFNM	Parent	Accounts receivable	2,442	7.55	-	-	1,528	-
			Other receivables	250,002		-	-	1	-
momo	TWM	Ultimate Parent	Accounts receivable	58,675	5.8	-	-	57,895	-
			Other receivables	45,248		-	-	30,163	-
	TFCB	Other related party	Accounts receivable	43,255	Note	-	-	28,620	-
			Other receivables	199,813		-	-	199,813	-
FSL	momo	Parent	Accounts receivable	142,499	4.79	-	-	139,068	-

Note: Not applicable due to the transaction partners and the nature of transactions.

TABLE 8

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, 2021

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance at the End of the Period			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2021	December 31, 2020	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
TWM	TCC	Taiwan	Investment	\$ 40,397,288	\$ 40,397,288	502,970	100	\$ 18,772,200	\$ 3,170,178	\$ 3,171,375	Note 1
	WMT	Taiwan	Investment	16,871,894	16,871,894	42,065	100	22,266,600	3,203,688	3,203,374	Note 1
	TVC	Taiwan	Investment	2,175,000	1,605,000	217,500	100	2,736,210	74,591	74,591	
	TNH	Taiwan	Building and operating Songsshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,904,402	81,087	40,422	Note 1
	AppWorks	Taiwan	Venture capital, investment consulting, and management consulting	235,000	235,000	1,275	51	270,997	8,463	3,455	Note 1
	ADT	Taiwan	Technology development of mobile payment and information processing services	Note 2	60,000	Note 2	Note 2	Note 2	Note 2	(118)	Note 2
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	52,661,358	2,919,340	-	Note 3
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	119,421	51,082	-	Note 3
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	221,388	(2,279)	-	Notes 3 and 4
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	27,423,600	2,518	-	Note 3
	TDS	Taiwan	Commissioned maintenance services	25,000	25,000	2,500	100	102,554	8,162	-	Note 3
	TPIA	Taiwan	Property insurance agent	5,000	5,000	500	100	106,830	96,830	-	Note 3
	TFC	Taiwan	Cloud and information services	200,000	200,000	20,000	100	179,592	(6,078)	-	Note 3
WMT	TFNM	Taiwan	Type II telecommunications business	5,210,443	5,210,443	230,921	100	6,985,495	1,692,548	-	Note 3
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	17,243	120	-	Note 3
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	98,318	3,025	-	Note 3
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	296,481	30,242	-	Note 3
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	81,961	45.01	10,493,176	3,280,300	-	Notes 3 and 5
TVC	TWMFM	Taiwan	Film production	300	-	30	100	239	(61)	-	Note 3
	AppWorks Fund III	Taiwan	Venture capital	694,767	330,000	69,025	20.14	689,849	370,900	-	Note 3
	NADA	Taiwan	Animation production	60,000	-	4,286	37.93	59,705	(9,631)	-	Note 3
TFN	TUI	Taiwan	Investment	22,314,609	22,314,609	400	100	35,789,275	(74)	-	Note 3
TCCI	TID	Taiwan	Investment	3,603,149	3,603,149	104,712	100	7,638,525	(142)	-	Note 3
TFNM	TKT	Taiwan	Digital music services	156,900	156,900	14,700	100	398,793	120,179	-	Note 3
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	1,507,665	(62,287)	-	Note 3
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	630,572	33,287	-	Notes 3 and 6
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,461,202	140,418	-	Note 3
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,047,699	34,638	-	Note 3
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,283,251	46,581	-	Note 3
	kbro Media	Taiwan	Film distribution, arts and literature services, and entertainment	341,250	341,250	21,994	33.58	141,885	(76,551)	-	Note 3
TKT	M.E.	Taiwan	Livestreaming artists management services and digital media production	27,000	27,000	460	15	26,494	5,316	-	Note 3

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance at the End of the Period			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2021	December 31, 2020	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
GFMT	UCTV	Taiwan	Cable TV service provider	\$ 16,218	\$ 16,218	1,300	0.76	\$ 15,742	\$ 34,638	\$ -	Note 3
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	96,865	46,581	-	Note 3
momo	Asian Crown (BVI)	British Virgin Islands	Investment	885,285	885,285	9,735	81.99	20,170	(13,303)	-	Note 3
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	643,897	(27,501)	-	Note 3
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	5,202	(1,917)	-	Note 3
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	11,386	3,657	-	Note 3
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	43,830	3,105	-	Note 3
	Bebe Poshe	Taiwan	Wholesale of cosmetics	85,000	85,000	8,500	85	31,716	(11,389)	-	Note 3
	FSL	Taiwan	Logistics and transport	250,000	250,000	25,000	100	309,059	62,486	-	Note 3
	MFS	Taiwan	Wholesaling	100,000	100,000	10,000	100	106,154	5,972	-	Note 3
	Prosperous Living	Taiwan	Wholesale and retail sales	220,850	-	22,085	73.62	220,718	(180)	-	Note 3
	TV Direct	Thailand	Wholesale and retail sales	175,413	175,413	191,213	21.35	120,346	(210,911)	-	Note 3
	TPE	Taiwan	Logistics industry	Note 7	295,860	Note 7	Note 7	Note 7	Note 7	-	Notes 3 and 7
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,132,789	11,594	100	20,548	(13,116)	-	Note 3
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,132,789	11,594	100	20,548	(13,116)	-	Note 3
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	643,897	(27,501)	-	Note 3

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

Note 2: Had completed liquidation in August 2021.

Note 3: The income/loss of the investee was already included in the income/loss of the investor, and is not presented in this table.

Note 4: Held 1 share as of period end.

Note 5: Non-controlling interests.

Note 6: 70.47% of stocks are held under trustee accounts.

Note 7: momo sold all of its equity interest of TPE in March 2021.

Note 8: For information on investments in mainland China, see Table 10 for the details.

(Concluded)

TABLE 9

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Number	Company Name	Counterparty	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenue or Total Assets
				Account	Amount	Transaction Terms (Note 2)	
0	TWM	TFN	1	Notes and accounts receivable, net	\$ 31,112	-	-
		TPIA	1	Notes and accounts receivable, net	78,994	-	-
		momo	1	Notes and accounts receivable, net	302,119	-	-
		TFN	1	Other receivables	38,123	-	-
		momo	1	Other receivables	34,552	-	-
		TFNM	1	Other non-current assets	16,463	-	-
		TNH	1	Other non-current assets	18,447	-	-
		TFN	1	Short-term borrowings	7,913,000	-	4%
		WMT	1	Short-term borrowings	3,230,000	-	2%
		TCC	1	Short-term borrowings	388,000	-	-
		TFN	1	Notes and accounts payable	75,142	-	-
		TKT	1	Notes and accounts payable	81,033	-	-
		momo	1	Notes and accounts payable	16,590	-	-
		TFNM	1	Notes and accounts payable	31,675	-	-
		TFN	1	Other payables	411,905	-	-
		momo	1	Other payables	43,250	-	-
		TT&T	1	Other payables	81,321	-	-
		TDS	1	Other payables	15,613	-	-
		TFN	1	Lease liabilities - current	39,596	-	-
		TNH	1	Lease liabilities - current	116,239	-	-
		TFN	1	Other current liabilities	32,411	-	-
		momo	1	Other current liabilities	45,280	-	-
		TFN	1	Lease liabilities - non-current	105,568	-	-
		TNH	1	Lease liabilities - non-current	136,709	-	-
		YJCTV	1	Lease liabilities - non-current	19,938	-	-
		GCTV	1	Lease liabilities - non-current	11,036	-	-
		TFN	1	Operating revenue	178,998	-	-
		TPIA	1	Operating revenue	193,005	-	-
		TFNM	1	Operating revenue	28,537	-	-
		momo	1	Operating revenue	2,544,460	-	2%
		TFN	1	Operating costs	4,231,243	-	3%
		TKT	1	Operating costs	369,080	-	-
		TDS	1	Operating costs	61,303	-	-
		momo	1	Operating costs	224,268	-	-
		TFNM	1	Operating costs	127,859	-	-
		YJCTV	1	Operating costs	10,320	-	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenue or Total Assets
				Account	Amount	Transaction Terms (Note 2)	
0	TWM	TFN	1	Operating expenses	\$ 34,374	-	-
		TNH	1	Operating expenses	10,203	-	-
		TT&T	1	Operating expenses	999,906	-	1%
		TFN	1	Other income and expenses, net	43,323	-	-
		WMT	1	Finance costs	27,546	-	-
		TFN	1	Finance costs	75,564	-	-
1	TCC	TFC	1	Other receivables	341,622	-	-
		TFN	1	Short-term borrowings	341,000	-	-
2	WMT	TFNM	1	Other receivables	351,291	-	-
		WTVB	1	Other receivables	761,175	-	-
3	TNH	TWM	2	Operating revenue	124,156	-	-
4	TFN	UCTV	3	Acquisition of property, plant and equipment	11,322	-	-
		TFC	3	Notes and accounts receivable, net	19,457	-	-
		TFNM	3	Notes and accounts receivable, net	30,032	-	-
		TWM	2	Lease liabilities - current	14,797	-	-
		TWM	2	Lease liabilities - non-current	36,942	-	-
		TWM	2	Lease revenue	38,399	-	-
		TFC	3	Operating revenue	106,326	-	-
		momo	3	Operating revenue	48,371	-	-
		TFNM	3	Operating revenue	183,501	-	-
		TT&T	3	Operating expenses	106,856	-	-
5	momo	MFS	1	Notes and accounts payable	21,950	-	-
		FSL	1	Notes and accounts payable	142,499	-	-
		TFNM	3	Notes and accounts payable	45,251	-	-
		MFS	1	Operating costs	171,392	-	-
		FSL	1	Operating costs	438,968	-	-
		Bebe Poshe	1	Operating costs	42,182	-	-
		TFNM	3	Operating costs	45,248	-	-
6	TFNM	PCTV	1	Other receivables	57,055	-	-
		YJCTV	1	Other receivables	41,020	-	-
		UCTV	1	Other receivables	30,120	-	-
		GCTV	1	Other receivables	23,130	-	-
		MCTV	1	Other receivables	17,924	-	-
		PCTV	1	Short-term borrowings	520,000	-	-
		YJCTV	1	Short-term borrowings	20,000	-	-
		GCTV	1	Short-term borrowings	250,000	-	-
		WTVB	3	Notes and accounts payable	90,124	-	-
		TFN	3	Lease liabilities - current	11,570	-	-
		TFN	3	Lease liabilities - non-current	37,012	-	-
		PCTV	1	Operating revenue	530,343	-	-
		YJCTV	1	Operating revenue	419,015	-	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note 1)	Transaction Details			Percentage of Consolidated Total Operating Revenue or Total Assets
				Account	Amount	Transaction Terms (Note 2)	
6	TFNM	UCTV	1	Operating revenue	\$ 216,618	-	-
		GCTV	1	Operating revenue	191,687	-	-
		PCTV	1	Operating costs	38,193	-	-
		YJCTV	1	Operating costs	34,141	-	-
		UCTV	1	Operating costs	23,016	-	-
		GCTV	1	Operating costs	15,865	-	-
		WTVB	3	Operating costs	85,833	-	-

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

Note 2: The terms of transaction are determined in accordance with mutual agreements or general business practices.

Note 3: All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

(Concluded)

TABLE 10

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

**INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021**

(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 at the Beginning of the Period	Investment Flows		Accumulated Outflow of Investment from Taiwan at the End of the Period	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value at the End of the Period	Accumulated Inward Remittance of Earnings at the End of the Period	Note
					Outflow	Inflow							
TWMC	Data communication application development	\$ 82,980 (USD 3,000)	b	\$ 134,757 (USD 4,872)	\$ -	\$ -	\$ 134,757 (USD 4,872)	\$ 1,438	100	\$ 1,438	\$ 80,909	\$ -	
FGE	Wholesaling	336,428 (RMB 77,500)	b	774,748 (USD 14,000) (RMB 89,267)	-	-	774,748 (USD 14,000) (RMB 89,267)	(13,669)	76.7	(10,484)	10,604	-	
Haobo	Investment	47,751 (RMB 11,000)	b	-	-	-	-	(27,559)	100	(27,559)	615,915	-	
GHS	Wholesaling	217,050 (RMB 50,000)	b	-	-	-	-	154,537	20	(27,863)	571,213	-	

Company	Accumulated Investment in Mainland China at the End of the Period	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2)
TWM and subsidiaries	\$1,507,313 (US\$18,872, RMB89,267 and HK\$168,539)	\$1,507,313 (US\$18,872, RMB89,267 and HK\$168,539)	\$43,966,199

Note 1: The investment types are as follows:

- a. Direct investment in mainland China.
- b. Indirect investments in mainland China through subsidiaries, invested by TCC and momo, in third regions.
- c. Others.

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

TABLE 11

TAIWAN MOBILE CO., LTD
INFORMATION OF MAJOR STOCKHOLDERS
DECEMBER 31, 2021

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
TUI	410,665,284	11.67
Shin Kong Life Insurance Co., Ltd.	254,728,000	7.24
Cathay Life Insurance Co., Ltd.	211,608,900	6.01
TCCI	200,496,761	5.70
Ming Dong	184,736,452	5.25

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, 2021 and 2020 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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 2021 financial statements are as follows:

Telecommunications and Value-added Services Revenue

The description of key audit matter:

The primary 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.
6. Select the samples from telecommunications and value-added services revenue and agree to the contracts, bills and records of cash receipts.

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, 2021 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 Te-Chen Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 22, 2022

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, 2021		December 31, 2020		LIABILITIES AND EQUITY	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 6 and 28)	\$ 1,626,196	1	\$ 1,542,179	1	Short-term borrowings (Notes 16 and 28)	\$ 30,331,000	18	\$ 22,270,000	13
Financial assets at fair value through other comprehensive income (Note 7)	253,214	-	236,913	-	Short-term notes and bills payable (Note 16)	4,597,793	3	14,195,385	8
Contract assets (Note 21)	4,661,996	3	4,612,234	3	Contract liabilities (Note 21)	1,066,995	1	1,133,438	1
Notes and accounts receivable, net (Note 8)	5,631,531	3	5,835,196	4	Accounts payable	1,894,432	1	1,822,172	1
Accounts receivable due from related parties (Note 28)	470,309	-	487,370	-	Accounts payable due to related parties (Note 28)	294,026	-	214,771	-
Other receivables (Note 28)	1,184,943	1	559,069	-	Other payables (Note 28)	8,060,985	5	8,684,707	5
Inventories (Note 9)	2,704,625	2	2,368,016	1	Current tax liabilities	931,555	-	1,296,140	1
Prepayments	239,071	-	361,650	-	Provisions (Note 18)	35,997	-	37,521	-
Other financial assets (Notes 28 and 29)	28,105	-	36,514	-	Lease liabilities (Notes 12, 25 and 28)	2,937,829	2	3,005,715	2
Other current assets	109	-	34	-	Long-term liabilities, current portion (Notes 16 and 17)	-	-	2,632,030	2
					Other current liabilities (Note 28)	2,133,401	1	2,145,065	1
Total current assets	16,800,099	10	16,039,175	9	Total current liabilities	52,284,013	31	57,436,944	34
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Financial assets at fair value through other comprehensive income (Note 7)	1,924,203	1	1,717,859	1	Contract liabilities (Note 21)	60,699	-	58,347	-
Contract assets (Note 21)	5,196,115	3	3,749,737	2	Bonds payable (Note 17)	37,475,497	22	34,973,223	21
Investments accounted for using equity method (Notes 10 and 28)	45,950,409	27	45,524,371	27	Long-term borrowings (Note 16)	6,497,809	4	6,497,420	4
Property, plant and equipment (Note 11)	25,967,927	15	25,327,616	15	Provisions (Note 18)	517,815	-	638,210	-
Right-of-use assets (Notes 12 and 28)	7,327,028	5	7,516,872	5	Deferred tax liabilities (Note 23)	703,734	-	678,679	-
Investment properties (Note 13)	2,789,846	2	2,828,136	2	Lease liabilities (Notes 12, 25 and 28)	4,406,338	3	4,526,498	3
Concessions (Note 14)	53,880,810	32	58,012,111	34	Net defined benefit liabilities (Note 19)	296,667	-	322,707	-
Goodwill (Note 14)	7,121,871	4	7,121,871	4	Guarantee deposits	402,551	-	373,715	-
Other intangible assets (Note 14)	232,048	-	213,029	-	Other non-current liabilities	1,803,684	1	-	-
Deferred tax assets (Note 23)	435,187	-	637,945	-	Total non-current liabilities	52,164,794	30	48,068,799	28
Incremental costs of obtaining a contract (Note 21)	1,710,107	1	1,671,623	1	Total liabilities	104,448,807	61	105,505,743	62
Other non-current assets (Notes 15, 28 and 29)	646,910	-	510,498	-					
Total non-current assets	153,182,461	90	154,831,668	91	EQUITY (Note 20)				
					Common stock	35,135,201	21	35,124,215	20
TOTAL	\$ 169,982,560	100	\$ 170,870,843	100	Capital collected in advance	57,135	-	-	-
					Capital surplus	16,903,239	10	18,936,574	11
					Retained earnings				
					Legal reserve	31,500,472	19	30,170,398	18
					Special reserve	2,449,739	1	-	-
					Unappropriated earnings	11,028,726	6	13,300,996	8
					Other equity interests	(1,823,415)	(1)	(2,449,739)	(2)
					Treasury stock	(29,717,344)	(17)	(29,717,344)	(17)
					Total equity	65,533,753	39	65,365,100	38
					TOTAL	\$ 169,982,560	100	\$ 170,870,843	100

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

TAIWAN MOBILE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 21 and 28)	\$ 59,844,804	100	\$ 56,890,204	100
OPERATING COSTS (Notes 9, 28 and 32)	<u>44,797,460</u>	<u>75</u>	<u>39,229,257</u>	<u>69</u>
GROSS PROFIT FROM OPERATIONS	15,047,344	25	17,660,947	31
REALIZED GAIN ON SALES	<u>-</u>	<u>-</u>	<u>509</u>	<u>-</u>
GROSS PROFIT FROM OPERATIONS, NET	<u>15,047,344</u>	<u>25</u>	<u>17,661,456</u>	<u>31</u>
OPERATING EXPENSES (Notes 28 and 32)				
Marketing	6,666,554	11	7,151,971	13
Administrative	2,889,750	5	2,927,309	5
Research and development	31,904	-	34,832	-
Expected credit loss	<u>224,288</u>	<u>-</u>	<u>172,590</u>	<u>-</u>
Total operating expenses	<u>9,812,496</u>	<u>16</u>	<u>10,286,702</u>	<u>18</u>
OTHER INCOME AND EXPENSES, NET (Note 28)	<u>585,942</u>	<u>1</u>	<u>223,644</u>	<u>-</u>
OPERATING INCOME	<u>5,820,790</u>	<u>10</u>	<u>7,598,398</u>	<u>13</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	5,929	-	8,186	-
Other income	12,900	-	13,151	-
Other gains and losses, net (Note 22)	(15,325)	-	(330,450)	(1)
Finance costs (Notes 22 and 28)	(646,976)	(1)	(618,164)	(1)
Share of profit of subsidiaries and associates accounted for using equity method (Note 10)	<u>6,493,099</u>	<u>11</u>	<u>5,970,883</u>	<u>11</u>
Total non-operating income and expenses	<u>5,849,627</u>	<u>10</u>	<u>5,043,606</u>	<u>9</u>
PROFIT BEFORE TAX	11,670,417	20	12,642,004	22
INCOME TAX EXPENSE (Note 23)	<u>682,252</u>	<u>2</u>	<u>1,355,451</u>	<u>2</u>
NET PROFIT	<u>10,988,165</u>	<u>18</u>	<u>11,286,553</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	7,213	-	(25,077)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	135,246	-	(350,224)	(1)
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	544,692	1	(499,974)	(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>(12,615)</u>	<u>-</u>	<u>2,826</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>674,536</u>	<u>1</u>	<u>(872,449)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 11,662,701</u>	<u>19</u>	<u>\$ 10,414,104</u>	<u>18</u>
EARNINGS PER SHARE (Note 24)				
Basic earnings per share	<u>\$ 3.90</u>		<u>\$ 4.01</u>	
Diluted earnings per share	<u>\$ 3.89</u>		<u>\$ 3.99</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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

				Retained Earnings			Other Equity Interests			
	Common Stock	Capital Collected in Advance	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Stock	Total Equity
BALANCE, JANUARY 1, 2020	\$ 34,959,441	\$ 134,104	\$ 20,274,694	\$ 28,922,281	\$ 95,381	\$ 12,909,829	\$ (34,505)	\$ 473,410	\$(29,717,344)	\$ 68,017,291
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
Distribution of 2020 earnings										
Legal reserve	-	-	-	1,330,074	-	(1,330,074)	-	-	-	-
Special reserve	-	-	-	-	2,449,739	(2,449,739)	-	-	-	-
Cash dividends	-	-	-	-	-	(9,521,178)	-	-	-	(9,521,178)
Total distribution of earnings	-	-	-	1,330,074	2,449,739	(13,300,991)	-	-	-	(9,521,178)
Cash dividends from capital surplus	-	-	(2,577,603)	-	-	-	-	-	-	(2,577,603)
Profit for the year ended December 31, 2021	-	-	-	-	-	10,988,165	-	-	-	10,988,165
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	28,385	(12,615)	658,766	-	674,536
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	11,016,550	(12,615)	658,766	-	11,662,701
Conversion of convertible bonds to common stock	10,986	57,135	557,944	-	-	-	-	-	-	626,065
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(2,209)	-	2,209	-	-
Changes in equity of associates accounted for using equity method	-	-	6,399	-	-	(8,505)	-	849	-	(1,257)
Disposal of investments accounted for using equity method	-	-	(21,913)	-	-	22,885	-	(22,885)	-	(21,913)
Other changes in capital surplus	-	-	1,838	-	-	-	-	-	-	1,838
BALANCE, DECEMBER 31, 2021	<u>\$ 35,135,201</u>	<u>\$ 57,135</u>	<u>\$ 16,903,239</u>	<u>\$ 31,500,472</u>	<u>\$ 2,449,739</u>	<u>\$ 11,028,726</u>	<u>\$ (44,294)</u>	<u>\$ (1,779,121)</u>	<u>\$(29,717,344)</u>	<u>\$ 65,533,753</u>

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

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 11,670,417	\$ 12,642,004
Adjustments for:		
Share of profit of subsidiaries and associates accounted for using equity method	(6,493,099)	(5,970,883)
Depreciation expense	9,243,700	8,275,054
Amortization expense	4,355,353	3,723,081
Amortization of incremental costs of obtaining a contract	1,302,825	1,633,231
Realized gain on sales	-	(509)
Loss on disposal and retirement of property, plant and equipment, net	24,041	291,044
Gain on disposal of investments accounted for using equity method	(29)	-
Loss on disposal and retirement of intangible assets, net	-	57,863
Expected credit loss	224,288	172,590
Other income and expenses	(217,817)	-
Finance costs	646,976	618,164
Interest income	(5,929)	(8,186)
Dividend income	(9,359)	(9,185)
Others	(2,283)	(1,839)
Changes in operating assets and liabilities		
Contract assets	(1,508,966)	(74,343)
Notes and accounts receivable	(588,351)	107,744
Accounts receivable due from related parties	17,061	(201,607)
Other receivables	(11,196)	77,607
Inventories	(336,609)	889,264
Prepayments	23,333	(216,309)
Other current assets	(75)	55,324
Other financial assets	8,409	(15,621)
Incremental costs of obtaining a contract	(1,341,309)	(1,265,516)
Contract liabilities	(64,091)	94,642
Accounts payable	72,260	259,254
Accounts payable due to related parties	79,255	42,768
Other payables	431,357	(190,097)
Provisions	(134,544)	(112,607)
Other current liabilities	(9,593)	456,539
Net defined benefit liabilities	(17,023)	(16,246)
Cash inflows generated from operating activities	17,359,002	21,313,225
Interest received	1,160	275
Interest paid	(275)	(442)
Income taxes paid	(908,227)	(654,133)
Net cash generated from operating activities	16,451,660	20,658,925

(Continued)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	\$ (7,757,835)	\$ (8,375,407)
Acquisition of right-of-use assets	(30,197)	(22,596)
Acquisition of intangible assets	(153,295)	(29,772,382)
Increase in prepayments for equipment	(122,603)	(94,676)
Proceeds from disposal of property, plant and equipment	127,380	36,918
Proceeds from disposal of intangible assets	12,800	16,000
Acquisition of financial assets at fair value through other comprehensive income	-	(400,000)
Cash outflow on acquisition of subsidiaries	(570,000)	(1,600,000)
Disposal of investments accounted for using equity method	7,830	-
Other investing activities	2,140,688	-
Increase in refundable deposits	(152,556)	(173,738)
Decrease in refundable deposits	132,812	158,244
Interest received	1,657	4,495
Dividends received	<u>7,146,859</u>	<u>5,115,408</u>
Net cash generated from (used in) investing activities	<u>783,540</u>	<u>(35,107,734)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	9,000,000	(4,800,000)
Borrowings from related parties	15,496,000	15,414,000
Repayments of borrowings from related parties	(16,435,000)	(13,479,000)
Increase (decrease) in short-term notes and bills payable	(9,591,635)	12,289,537
Proceeds from issue of bonds	2,496,465	19,979,415
Repayments of bonds	(10,700)	-
Proceeds from long-term borrowings	-	6,496,758
Repayment of long-term borrowings	(2,007,757)	(4,000,000)
Repayment of the principal portion of lease liabilities	(3,394,255)	(3,363,616)
Increase in guarantee deposits received	82,292	79,801
Decrease in guarantee deposits received	(52,050)	(41,982)
Cash dividends paid	(12,098,704)	(13,350,442)
Interest paid	<u>(635,839)</u>	<u>(506,223)</u>
Net cash generated from (used in) financing activities	<u>(17,151,183)</u>	<u>14,718,248</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	84,017	269,439
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>1,542,179</u>	<u>1,272,740</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>\$ 1,626,196</u></u>	<u><u>\$ 1,542,179</u></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, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 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 services 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 expired on June 30, 2017. TWM received a third-generation (3G) concession license issued by the DGT in March 2005, and the 3G concession license expired 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 22, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED 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 2022

New IFRSs	Effective Date Announced by IASB
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 1)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 3)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be 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” will be 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” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: 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 3: 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 4: 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 had assessed that the application of above standards and interpretations would not have a material impact on TWM’s financial position and financial performance.

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)
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 IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	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 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 3: 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 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

a. Basis of measurement

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

When preparing the parent company only financial statements, TWM accounts for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to owners of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

b. Functional and presentation currency

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

Foreign 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 - expired share options.

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 costs or 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 investment plus 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, 2022 were adjusted due to the COVID-19 pandemic. 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, investment properties, 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.

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.

b. Revenue recognition

TWM recognizes revenue when the performance obligations are satisfied over time or at a point in time according to the contracts with customers. The conditions are described in Note 4.

Key Sources of Estimation Uncertainty

a. Impairment of notes and accounts receivable

The provision for impairment of notes and accounts receivable is based on assumptions about risk of default and expected loss rates. TWM uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the past default records of the customers and an analysis of the customers' current financial positions, as well as forward-looking indicators such as the industrial economic conditions. For details of the key assumptions and inputs used, see Note 8.

b. Provision for inventory valuation and obsolescence

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 costs or selling expenses. The weighted-average method is used in the calculation of cost.

c. Impairment 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.

d. Impairment of property, plant, and equipment, right-of-use assets, investment properties, 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.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand and revolving funds	\$ 111,334	\$ 96,610
Cash in banks	<u>1,514,862</u>	<u>1,445,569</u>
	<u>\$ 1,626,196</u>	<u>\$ 1,542,179</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
<u>Investments in equity instruments - current</u>		
Domestic investments		
Listed stocks	<u>\$ 253,214</u>	<u>\$ 236,913</u>
<u>Investments in equity instruments - non-current</u>		
Domestic investments		
Listed stocks	\$ 798,745	\$ 981,427
Unlisted stocks	408,139	456,109
Foreign investments		
Unlisted stocks	27,672	30,496
Limited partnerships	<u>689,647</u>	<u>249,827</u>
	<u>\$ 1,924,203</u>	<u>\$ 1,717,859</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 fair value through other comprehensive income (FVTOCI) as they believed that recognizing short-term fluctuations from these investments' fair value in profit or loss would not be consistent with TWM's strategy of holding these investments for long-term purposes.

8. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2021	2020
Notes receivable	\$ 166	\$ 702
Accounts receivable	5,955,414	6,121,600
Less: Allowance for impairment loss	<u>(324,049)</u>	<u>(287,106)</u>
	<u>\$ 5,631,531</u>	<u>\$ 5,835,196</u>

The main credit terms range from 30 to 90 days.

TWM serves a large consumer base for its 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 only trading with corporate counterparties with a considerable scale of operations, certain credit ratings and financial conditions for telecommunications service and products. 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 approach considering the past default records 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 the allowance for doubtful notes and accounts receivable by individual and collective assessment were as follows:

December 31, 2021

	Not Past Due	Overdue			Total
		1 to 120 Days	121 to 365 Days	Over 365 Days	
Gross carrying amount	\$ 5,341,520	\$ 458,730	\$ 155,263	\$ 67	\$ 5,955,580
Loss allowance (Lifetime ECLs)	<u>(50,526)</u>	<u>(125,336)</u>	<u>(148,120)</u>	<u>(67)</u>	<u>(324,049)</u>
Amortized cost	<u>\$ 5,290,994</u>	<u>\$ 333,394</u>	<u>\$ 7,143</u>	<u>\$ -</u>	<u>\$ 5,631,531</u>

December 31, 2020

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

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 services	0.85%-85%	89.47%-100%

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

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 287,106	\$ 334,322
Add: Provision	211,460	171,887
Recovery	40,496	38,132
Less: Write-off	<u>(215,013)</u>	<u>(257,235)</u>
Ending balance	<u>\$ 324,049</u>	<u>\$ 287,106</u>

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

	For the Year Ended December 31	
	2021	2020
Amount of accounts receivable sold	<u>\$ 716,557</u>	<u>\$ 917,643</u>
Proceeds from the sale of accounts receivable	<u>\$ 58,033</u>	<u>\$ 52,549</u>

9. INVENTORIES

	December 31	
	2021	2020
Merchandise	\$ 2,696,008	\$ 2,360,178
Materials for maintenance	<u>8,617</u>	<u>7,838</u>
	<u>\$ 2,704,625</u>	<u>\$ 2,368,016</u>

For the years ended December 31, 2021 and 2020, the cost of goods sold related to inventories amounted to \$20,350,441 thousand and \$17,133,068 thousand, respectively, which included the reversal of inventory write-down totaling \$34,028 thousand, and the inventory write-down totaling \$57,863 thousand, respectively.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2021	2020
Subsidiaries	\$ 45,679,412	\$ 45,250,230
Associates		
AppWorks Ventures Co., Ltd. (AppWorks)	270,997	265,526
Alliance Digital Tech Co., Ltd. (ADT)	<u>-</u>	<u>8,615</u>
	<u>\$ 45,950,409</u>	<u>\$ 45,524,371</u>

a. Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2021.

b. Associates

Aggregate information of associates that were not individually material:

	December 31	
	2021	2020
TWM's share of:		
Profit	\$ 3,337	\$ 44,058
Other comprehensive income (loss)	<u>2,016</u>	<u>(2,112)</u>
Comprehensive income	<u>\$ 5,353</u>	<u>\$ 41,946</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 to adopt December 31, 2018 as the dissolution date. In August 2021, ADT completed the liquidation procedures, and TWM received a liquidation capital return of \$7,830 thousand.

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Telecommuni- cations Equipment and Machinery	Others	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>						
Balance, January 1, 2021	\$ 3,381,179	\$ 2,074,774	\$ 75,308,599	\$ 5,256,078	\$ 1,686,184	\$ 87,706,814
Additions	-	-	11,999	181,106	6,387,482	6,580,587
Disposals and retirements	(10,637)	(10,645)	(1,638,551)	(94,633)	(9,811)	(1,764,277)
Reclassification	10,215	2,373	7,403,656	12,871	(7,416,527)	12,588
Balance, December 31, 2021	<u>\$ 3,380,757</u>	<u>\$ 2,066,502</u>	<u>\$ 81,085,703</u>	<u>\$ 5,355,422</u>	<u>\$ 647,328</u>	<u>\$ 92,535,712</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2021	\$ -	\$ 971,558	\$ 56,939,439	\$ 4,468,201	\$ -	\$ 62,379,198
Depreciation	-	37,920	5,419,077	349,888	-	5,806,885
Disposals and retirements	-	(4,762)	(1,519,022)	(89,072)	-	(1,612,856)
Reclassification	-	(5,442)	21	(21)	-	(5,442)
Balance, December 31, 2021	<u>\$ -</u>	<u>\$ 999,274</u>	<u>\$ 60,839,515</u>	<u>\$ 4,728,996</u>	<u>\$ -</u>	<u>\$ 66,567,785</u>
Carrying amount, December 31, 2021	<u>\$ 3,380,757</u>	<u>\$ 1,067,228</u>	<u>\$ 20,246,188</u>	<u>\$ 626,426</u>	<u>\$ 647,328</u>	<u>\$ 25,967,927</u>
<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	231,061	92,263	9,143,026	15,608	(9,158,935)	323,023
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	-	37,510	(240)	240	-	37,510
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>

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 and machinery	1-15 years
Others	2-20 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amount</u>		
Land	\$ 490,448	\$ 518,633
Buildings	6,468,835	6,542,445
Telecommunications equipment and machinery	274,127	343,524
Others	<u>93,618</u>	<u>112,270</u>
	<u>\$ 7,327,028</u>	<u>\$ 7,516,872</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 3,491,135</u>	<u>\$ 2,931,735</u>
Depreciation charge for right-of-use assets		
Land	\$ 227,863	\$ 233,664
Buildings	3,063,044	3,062,098
Telecommunications equipment and machinery	86,152	83,658
Others	<u>39,497</u>	<u>40,582</u>
	<u>\$ 3,416,556</u>	<u>\$ 3,420,002</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, 2021 and 2020.

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amount</u>		
Current	<u>\$ 2,937,829</u>	<u>\$ 3,005,715</u>
Non-current	<u>\$ 4,406,338</u>	<u>\$ 4,526,498</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2021	2020
Land	0.61%-1%	0.74%-1%
Buildings	0.61%-1%	0.72%-1%
Telecommunications equipment and machinery	0.79%-1%	0.82%-1%
Others	0.62%-0.86%	0.74%-0.86%

c. Material lease-in activities and terms

TWM leases base transceiver stations and 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

	For the Year Ended December 31	
	2021	2020
Expenses related to short-term leases	\$ 8,551	\$ 12,949
Expenses related to low-value asset leases	\$ 62,437	\$ 61,451
Expenses related to variable lease payments and not included in the measurement of lease liabilities	\$ 2,991	\$ 3,148
Total cash outflow for leases	\$ 3,557,609	\$ 3,532,181

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, 2021 and 2020, the fair values of investment properties were \$6,944,511 thousand and \$6,649,908 thousand, respectively, and the capitalization rates for the years were both ranging from 1.37%-5.23%.

The amounts of depreciation recognized for the years ended December 31, 2021 and 2020 were \$20,259 thousand and \$21,461 thousand, respectively.

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

	December 31	
	2021	2020
Year 1	\$ 154,582	\$ 148,981
Year 2	92,986	141,104
Year 3	33,889	88,019
Year 4	26,975	33,790
Year 5	13,711	32,742
Year 6 and thereafter	-	18,517
	<u>\$ 322,143</u>	<u>\$ 463,153</u>

14. INTANGIBLE ASSETS

	Concession Licenses	Goodwill	Other Intangible Assets		Total
			Computer Software	Copyrights	
<u>Cost</u>					
Balance, January 1, 2021	\$ 71,699,375	\$ 7,121,871	\$ 2,441,718	\$ 34,764	\$ 81,297,728
Additions	-	-	148,009	4,210	152,219
Disposals and retirements	-	-	(41,019)	-	(41,019)
Reclassification	-	-	7,145	83,707	90,852
Balance, December 31, 2021	<u>\$ 71,699,375</u>	<u>\$ 7,121,871</u>	<u>\$ 2,555,853</u>	<u>\$ 122,681</u>	<u>\$ 81,499,780</u>
<u>Accumulated amortization and impairment</u>					
Balance, January 1, 2021	\$ 13,687,264	\$ -	\$ 2,237,435	\$ 26,018	\$ 15,950,717
Amortization	4,131,301	-	166,052	58,000	4,355,353
Disposals and retirements	-	-	(41,019)	-	(41,019)
Balance, December 31, 2021	<u>\$ 17,818,565</u>	<u>\$ -</u>	<u>\$ 2,362,468</u>	<u>\$ 84,018</u>	<u>\$ 20,265,051</u>
Carrying amount, December 31, 2021	<u>\$ 53,880,810</u>	<u>\$ 7,121,871</u>	<u>\$ 193,385</u>	<u>\$ 38,663</u>	<u>\$ 61,234,729</u>
<u>Cost</u>					
Balance, January 1, 2020	\$ 41,043,375	\$ 7,121,871	\$ 3,316,424	\$ 6,000	\$ 51,487,670
Additions	29,656,000	-	108,955	27,214	29,792,169
Disposals and retirements	-	-	(1,025,782)	(30,000)	(1,055,782)
Reclassification	1,000,000	-	42,121	31,550	1,073,671
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	-	-	(959,119)	-	(959,119)
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>

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. Goodwill

The goodwill resulted from the merger of TransAsian Telecommunications Inc. in September 2008.

b. Impairment of assets

In conformity with IAS 36 “Impairment of Assets”, TWM identified its mobile communication services 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, 2021 and 2020, the discount rates used to calculate the recoverable amount for the asset’s cash-generating unit were 6.01% and 5.93%, 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, 2021 and 2020.

15. OTHER NON-CURRENT ASSETS

	December 31	
	2021	2020
Long-term accounts receivable	\$ 6,401	\$ 4,606
Refundable deposits	428,669	414,649
Other prepayments	209,569	80,124
Others	<u>2,271</u>	<u>11,119</u>
	<u>\$ 646,910</u>	<u>\$ 510,498</u>

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Unsecured loans - financing institution	\$ 18,800,000	\$ 9,800,000
Unsecured loans - related parties	<u>11,531,000</u>	<u>12,470,000</u>
	<u>\$ 30,331,000</u>	<u>\$ 22,270,000</u>
Annual interest rates - financing institution	0.55%-0.87%	0.64%-0.88%
Annual interest rates - related parties	0.86856%- 0.86989%	0.86867%- 0.87033%

For the information on related party loans, see Note 28.

b. Short-term notes and bills payable

	December 31	
	2021	2020
Short-term notes and bills payable	\$ 4,600,000	\$ 14,200,000
Less: Discounts on short-term notes and bills payable	<u>(2,207)</u>	<u>(4,615)</u>
	<u>\$ 4,597,793</u>	<u>\$ 14,195,385</u>
Annual interest rates	0.398%-0.458%	0.328%-0.418%

c. Long-term borrowings

	December 31	
	2021	2020
Unsecured loans	\$ -	\$ 2,000,000
Commercial papers payable	6,500,000	6,500,000
Less: Current portion	-	(2,000,000)
Less: Discounts on commercial papers payable	<u>(2,191)</u>	<u>(2,580)</u>
	<u>\$ 6,497,809</u>	<u>\$ 6,497,420</u>
Annual interest rates - unsecured loans	-	0.79%
Annual interest rates - commercial papers payable	0.687%-0.697%	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. Some credit facilities are subject to financial covenants regarding debt ratios and interest protection multiples during the credit facility period. The unsecured loans, whose expiry date of the repayments was in July 2021, were fully repaid.

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

	December 31	
	2021	2020
5th domestic unsecured straight corporate bonds	\$ 14,994,030	\$ 14,991,472
6th domestic unsecured straight corporate bonds	19,984,764	19,981,751
7th domestic unsecured straight corporate bonds	2,496,703	-
3rd domestic unsecured convertible bonds	-	632,030
Less: Current portion	-	(632,030)
	<u>\$ 37,475,497</u>	<u>\$ 34,973,223</u>

a. 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, 2021, the amount of unamortized bond issue cost was \$5,970 thousand. The trustee of bond holders is Bank of Taiwan.

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

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

b. 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, 2021, the amount of unamortized bond issue cost was \$15,236 thousand. The trustee of bond holders is Bank of Taiwan.

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

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

c. 7th domestic unsecured straight corporate bonds

On July 13, 2020, TWM issued the 7th domestic unsecured straight corporate bonds. The bond was seven-year bond, with the principal amount of \$2,500,000 thousand, having a face value of \$10,000 thousand, and coupon rate of 0.53% per annum, with simple interest due annually. Repayment will be made in full at maturity. As of December 31, 2021, the amount of unamortized bond issue cost was \$3,297 thousand. The trustee of bond holders is Bank of Taiwan.

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

Year	Amount
2028	<u>\$ 2,500,000</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 \$91.8 per share since August 29, 2021. 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.

Proceeds from 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 the effective interest rate	240,318
Convertible bonds converted into common stock	<u>(9,160,893)</u>
Liability component on December 31, 2020	632,030
Interest charged at the effective interest rate	4,735
Convertible bonds converted into common stock	(626,065)
Repayment of the convertible bonds	<u>(10,700)</u>
Liability component on December 31, 2021	<u>\$ -</u>

As of December 31, 2021 and 2020, the bondholders had requested to convert the bonds at face values of \$9,989,300 thousand and \$9,362,800 thousand, respectively.

The above-mentioned convertible bonds were due on November 22, 2021. The repayment of \$10,700 thousand had been made on December 6, 2021.

18. PROVISIONS

	December 31	
	2021	2020
Restoration	\$ 530,038	\$ 653,796
Warranties	<u>23,774</u>	<u>21,935</u>
	<u>\$ 553,812</u>	<u>\$ 675,731</u>
Current	\$ 35,997	\$ 37,521
Non-current	<u>517,815</u>	<u>638,210</u>
	<u>\$ 553,812</u>	<u>\$ 675,731</u>

	Restoration	Warranties	Total
Balance, January 1, 2021	\$ 653,796	\$ 21,935	\$ 675,731
Provision	11,927	34,354	46,281
Payment/Reversal	(136,410)	(32,515)	(168,925)
Unwinding of discount	<u>725</u>	<u>-</u>	<u>725</u>
Balance, December 31, 2021	<u>\$ 530,038</u>	<u>\$ 23,774</u>	<u>\$ 553,812</u>
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>

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

TWM adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed and defined contribution plan. Under the LPA, TWM makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. In accordance with the above provisions, TWM's contributions to the pension plan amounted to \$162,348 thousand and \$157,406 thousand for the years ended December 31, 2021 and 2020, 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 TWM's certain qualified employees, specified under the Labor Standards Law, and such benefits are determined based on an employee's years of service and average monthly salary for six-month period prior to the date of retirement. Before the end of each year, TWM assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, TWM will fund the difference in one appropriation before the end of March of the following year. The fund is operated and managed by the government's designated authorities; as such, TWM does not have any right to participate in the operation of the fund.

The defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligations	\$ 943,090	\$ 949,836
Fair value of plan assets	<u>(646,423)</u>	<u>(627,129)</u>
Net defined benefit liabilities	<u>\$ 296,667</u>	<u>\$ 322,707</u>

The movements in present value of defined benefit obligations for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31	
	2021	2020
Balance, January 1	\$ 949,836	\$ 908,961
Current service costs	1,486	1,434
Interest costs	4,749	7,953
Actuarial loss - changes in demographic assumptions	37,994	4,479
Actuarial loss (gain) - changes in financial assumptions	(27,332)	44,927
Actuarial loss (gain) - experience adjustments	(11,677)	707
Benefits paid from plan assets	<u>(11,966)</u>	<u>(18,625)</u>
Balance, December 31	<u>\$ 943,090</u>	<u>\$ 949,836</u>

The movements in the fair value of the plan assets for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31	
	2021	2020
Balance, January 1	\$ 627,129	\$ 601,355
Net interest income	3,188	5,353
Return on plan assets (excluding amounts included in net interest)	8,002	18,766
Contributions from the employer	20,070	20,280
Benefits paid from plan assets	<u>(11,966)</u>	<u>(18,625)</u>
Balance, December 31	<u>\$ 646,423</u>	<u>\$ 627,129</u>

The expenses recognized in profit or loss for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31	
	2021	2020
Current service costs	\$ 1,486	\$ 1,434
Interest costs	4,749	7,953
Net interest income	<u>(3,188)</u>	<u>(5,353)</u>
	<u>\$ 3,047</u>	<u>\$ 4,034</u>

The pre-tax remeasurements recognized in other comprehensive income (loss) for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31	
	2021	2020
Return on plan assets (excluding amounts included in net interest)	\$ (8,002)	\$ (18,766)
Actuarial loss - changes in demographic assumptions	37,994	4,479
Actuarial loss (gain) - changes in financial assumptions	(27,332)	44,927
Actuarial loss (gain) - experience adjustments	<u>(11,677)</u>	<u>707</u>
	<u>\$ (9,017)</u>	<u>\$ 31,347</u>

Through the defined benefit plans under the Labor Standards Law, TWM is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial present values of the defined benefit obligation were carried out by the chartered actuary.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	December 31	
	2021	2020
Discount rate	0.5%	0.5%
Long-term average adjustment rate of salary	2.5%	2.75%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2021	2020
Discount rate		
0.25% increase	<u>\$ (28,063)</u>	<u>\$ (30,270)</u>
0.25% decrease	<u>\$ 29,164</u>	<u>\$ 31,524</u>
Long-term average adjustment rate of salary		
0.25% increase	<u>\$ 28,108</u>	<u>\$ 30,325</u>
0.25% decrease	<u>\$ (27,200)</u>	<u>\$ (29,288)</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.

	December 31	
	2021	2020
The expected contributions to the Plans for the following year	<u>\$ 20,387</u>	<u>\$ 20,856</u>
The average duration of the defined benefit obligation	12.1 years	12.8 years

20. EQUITY

a. Share capital

As of December 31, 2021 and 2020, TWM's authorized capital was \$60,000,000 thousand and capital issued and outstanding were \$35,135,201 thousand and \$35,124,215 thousand, respectively, divided into 3,513,520 thousand shares and 3,512,421 thousand shares, respectively, which were all common stocks, at a par value of \$10 each.

As of December 31, 2021 and 2020, the bondholders of the 3rd domestic unsecured convertible bonds had requested to convert the bonds into 98,401 thousand and 91,589 thousand common stocks, respectively. As of December 31, 2021, the amounts recognized as capital collected in advance were \$57,135 thousand. TWM has completed the related corporate registration procedures with respect to the issuance of new stock on the record date in accordance with the relevant regulations.

b. Capital surplus

	December 31	
	2021	2020
Additional paid-in capital from convertible corporate bonds	\$ 11,107,455	\$ 13,102,020
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
Changes in equity of associates accounted for using equity method	10,828	26,342
Expired share options	13,269	-
Convertible bonds payable options	-	25,524
Others	<u>24,803</u>	<u>35,804</u>
	<u>\$ 16,903,239</u>	<u>\$ 18,936,574</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, treasury stock transactions, and the difference between consideration and carrying amount of subsidiaries' stock disposed of, 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. 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 earnings as legal reserve until the legal reserve equals the paid-in capital. The legal reserve may be used to 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.

Pursuant to existing regulations, TWM is required to set aside and reverse additional special reserve equivalent to the net debit balance of the other equity interests, such as the exchange differences on translation and unrealized gain or loss on financial assets at fair value through other comprehensive income.

The appropriations of earnings for 2020 and 2019, which have been resolved in the AGM on August 20, 2021 and June 18, 2020, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2020	2019
Legal reserve	\$ 1,330,074	\$ 1,248,117
Special reserve	2,449,739	(95,381)
Cash dividends	9,521,178	11,756,844
Cash dividends per share (NT\$)	3.38353	4.183

In addition, cash distributions arising from capital surplus with respect to the excess of stock issuance price over the par value of capital stock, totaling \$2,577,603 thousand and \$1,593,624 thousand and representing \$0.916 and \$0.567 per share, were resolved in the AGM; thus, total distributions were \$4.29953 and \$4.75 per share, respectively, for 2020 and 2019.

TWM's 2021 earnings appropriations will be proposed by the Board of Directors and approved in the AGM. Information on earnings appropriations is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity interests

	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Total
Balance, January 1, 2021	\$ (31,679)	\$ (2,418,060)	\$ (2,449,739)
Changes in fair value of financial assets at FVTOCI	-	222,645	222,645
Unrealized loss of equity instruments transferred to retained earnings due to disposal	-	2,209	2,209
Changes in other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	(12,615)	523,520	510,905
Other comprehensive income transferred to retained earnings due to the disposal of investments accounted for using equity method	-	(22,885)	(22,885)
Other comprehensive loss transferred to retained earnings due to decrease of percentage of ownership interest in the investments accounted for using equity method	-	849	849
Income tax effect	<u>-</u>	<u>(87,399)</u>	<u>(87,399)</u>
Balance, December 31, 2021	<u>\$ (44,294)</u>	<u>\$ (1,779,121)</u>	<u>\$ (1,823,415)</u>
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>

e. Treasury stock

As of December 31, 2021 and 2020, 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 \$69,875,160 thousand and \$69,106,533 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 REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Telecommunications and value-added services	\$ 41,083,469	\$ 40,716,160
Sales revenue	18,595,512	15,997,270
Other operating revenue	<u>165,823</u>	<u>176,774</u>
	<u>\$ 59,844,804</u>	<u>\$ 56,890,204</u>

a. Contract information

Please refer to Note 4.

b. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Contract assets			
Bundle sales	\$ 9,942,623	\$ 8,433,657	\$ 8,356,511
Less: Allowance for impairment loss	<u>(84,512)</u>	<u>(71,686)</u>	<u>(71,030)</u>
	<u>\$ 9,858,111</u>	<u>\$ 8,361,971</u>	<u>\$ 8,285,481</u>
Current	\$ 4,661,996	\$ 4,612,234	\$ 4,827,361
Non-current	<u>5,196,115</u>	<u>3,749,737</u>	<u>3,458,120</u>
	<u>\$ 9,858,111</u>	<u>\$ 8,361,971</u>	<u>\$ 8,285,481</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, 2021 and 2020, the expected credit loss rates were both 0.85%.

Movements of the loss allowance of contract assets were as follows:

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 71,686	\$ 71,030
Provision	<u>12,826</u>	<u>656</u>
Ending balance	<u>\$ 84,512</u>	<u>\$ 71,686</u>

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities			
Telecommunications and value-added services	\$ 1,115,029	\$ 1,182,830	\$ 1,033,941
Sales of goods	<u>12,665</u>	<u>8,955</u>	<u>7,441</u>
	<u>\$ 1,127,694</u>	<u>\$ 1,191,785</u>	<u>\$ 1,041,382</u>
Current	\$ 1,066,995	\$ 1,133,438	\$ 1,041,382
Non-current	<u>60,699</u>	<u>58,347</u>	<u>-</u>
	<u>\$ 1,127,694</u>	<u>\$ 1,191,785</u>	<u>\$ 1,041,382</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:

	For the Year Ended December 31	
	2021	2020
Contract assets		
Transfers of beginning balance to receivables	\$ 4,663,812	\$ 4,868,087

Revenue recognized in the current year from the contract liabilities at the beginning of the year is as follows:

	For the Year Ended December 31	
	2021	2020
Contract liabilities		
Telecommunications and value-added services	\$ 1,092,603	\$ 996,598
Sales of goods	<u>7,161</u>	<u>6,131</u>
	<u>\$ 1,099,764</u>	<u>\$ 1,002,729</u>

c. Partially completed contracts

As of December 31, 2021, 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 2022	In 2023	After 2023	Total
Telecommunications and Value-added Services	<u>\$ 23,415,137</u>	<u>\$ 11,496,889</u>	<u>\$ 5,023,118</u>	<u>\$ 39,935,144</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

	December 31	
	2021	2020
Incremental costs of obtaining a contract - non-current	<u>\$ 1,710,107</u>	<u>\$ 1,671,623</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, 2021 and 2020 were \$1,302,825 thousand and \$1,633,231 thousand, respectively.

22. NON-OPERATING INCOME AND EXPENSES

a. Other gains and losses, net

	For the Year Ended December 31	
	2021	2020
Loss on disposal and retirement of property, plant and equipment, net	\$ (24,041)	\$ (291,044)
Loss on disposal and retirement of intangible assets, net	-	(57,863)
Gain on disposal of investments accounted for using equity method	29	-
Gain on foreign exchange, net	8,903	19,829
Others	<u>(216)</u>	<u>(1,372)</u>
	<u>\$ (15,325)</u>	<u>\$ (330,450)</u>

b. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest expense		
Corporate bonds	\$ 291,668	\$ 257,226
Bank loans	112,062	127,915
Related parties	109,353	104,521
Commercial papers payable	72,774	58,851
Lease liabilities	60,119	68,289
Others	<u>1,000</u>	<u>1,362</u>
	<u>\$ 646,976</u>	<u>\$ 618,164</u>

23. INCOME TAX

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2021	2020
Current income tax expense		
Current period	\$ 891,699	\$ 1,272,498
Prior years' adjustments	<u>(348,057)</u>	<u>(1,465)</u>
	<u>543,642</u>	<u>1,271,033</u>
Deferred income tax expense		
Temporary differences	<u>138,610</u>	<u>84,418</u>
Income tax expense	<u>\$ 682,252</u>	<u>\$ 1,355,451</u>

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

	For the Year Ended December 31	
	2021	2020
Profit before tax	<u>\$ 11,670,417</u>	<u>\$ 12,642,004</u>
Income tax expense at domestic statutory tax rate	\$ 2,334,083	\$ 2,528,401
Adjustment items in determining taxable profit	(1,442,169)	(1,256,882)
Temporary differences	138,610	84,418
Investment tax credits	(1,182)	-
Land value increment tax	967	979
Prior years' adjustments	<u>(348,057)</u>	<u>(1,465)</u>
	<u>\$ 682,252</u>	<u>\$ 1,355,451</u>

b. Income tax recognized in other comprehensive income (loss)

	For the Year Ended December 31	
	2021	2020
Deferred income tax expense (income)		
Unrealized gain (loss) on financial assets at FVTOCI	\$ 87,399	\$ (42,307)
Remeasurements from defined benefit plans	<u>1,804</u>	<u>(6,269)</u>
	<u>\$ 89,203</u>	<u>\$ (48,576)</u>

c. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 were as follows:

	For the Year Ended December 31, 2021			
	Recognized in			
	Opening Balance	Profit or Loss	Other Comprehensive Income (Loss)	Closing Balance
<u>Deferred tax assets</u>				
Property, plant and equipment	\$ 255,102	\$ (89,398)	\$ -	\$ 165,704
Defined benefit plans	64,541	(3,404)	(1,804)	59,333
Financial assets at FVTOCI	111,773	-	(87,399)	24,374
Others	<u>206,529</u>	<u>(20,753)</u>	<u>-</u>	<u>185,776</u>
	<u>\$ 637,945</u>	<u>\$ (113,555)</u>	<u>\$ (89,203)</u>	<u>\$ 435,187</u>
<u>Deferred tax liabilities</u>				
Intangible assets	<u>\$ 678,679</u>	<u>\$ 25,055</u>	<u>\$ -</u>	<u>\$ 703,734</u>
	For the Year Ended December 31, 2020			
	Recognized in			
	Opening Balance	Profit or Loss	Other Comprehensive Income (Loss)	Closing Balance
<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>

d. The income tax returns through 2018 have been examined and cleared by the tax authorities.

24. EARNINGS PER SHARE

For the Year Ended December 31, 2021			
	Amount After Income Tax	Weighted- average Number of Shares (In Thousands)	EPS (NT\$)
Basic EPS			
Profit attributable to stockholders	\$ 10,988,165	2,814,930	<u>\$ 3.90</u>
Effect of dilutive potential common stock:			
Employees' compensation	-	4,221	
Convertible bonds	<u>4,735</u>	<u>5,669</u>	
Diluted EPS			
Profit attributable to stockholders (adjusted for potential effect of common stock)	<u>\$ 10,992,900</u>	<u>2,824,820</u>	<u>\$ 3.89</u>
For the Year Ended December 31, 2020			
	Amount After Income Tax	Weighted- average Number of Shares (In Thousands)	EPS (NT\$)
Basic EPS			
Profit attributable to stockholders	\$ 11,286,553	2,811,916	<u>\$ 4.01</u>
Effect of dilutive potential common stock:			
Employees' compensation	-	4,119	
Convertible bonds	<u>7,287</u>	<u>8,419</u>	
Diluted EPS			
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>

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, 2021

	Opening Balance	Cash Flows	Non-cash Changes		Ending Balance
			New Leases	Others	
Lease liabilities (including current and non-current portions)	<u>\$ 7,532,213</u>	<u>\$(3,454,374)</u>	<u>\$ 3,488,869</u>	<u>\$ (222,541)</u>	<u>\$ 7,344,167</u>

For the Year Ended December 31, 2020

	Opening Balance	Cash Flows	Non-cash Changes		Ending Balance
			New Leases	Others	
Lease liabilities (including current and non-current portions)	\$ 8,256,167	\$ (3,431,905)	\$ 2,929,291	\$ (221,340)	\$ 7,532,213

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	
	2021	2020
<u>Financial assets</u>		
Financial assets at FVTOCI (including current and non-current portions)	\$ 2,177,417	\$ 1,954,772
Financial assets measured at amortized cost (including current and non-current portions) (Note 1)	<u>9,376,634</u>	<u>8,890,563</u>
	<u>\$ 11,554,051</u>	<u>\$ 10,845,335</u>

Financial liabilities

Financial liabilities measured at amortized cost (including current and non-current portions) (Note 2)	<u>\$ 89,639,619</u>	<u>\$ 91,770,797</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 measured 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 carrying amount of financial assets and liabilities that are not at fair value is close to the fair value, or the fair value cannot be reliably measured.

	December 31			
	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>				
Bonds payable (including current portion)	\$ 37,475,497	\$ 37,702,271	\$ 35,605,253	\$ 35,885,879

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, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 1,051,959	\$ -	\$ -	\$ 1,051,959
Domestic unlisted stocks	-	-	408,139	408,139
Foreign unlisted stocks	-	-	27,672	27,672
Limited partnerships	-	-	689,647	689,647
	<u>\$ 1,051,959</u>	<u>\$ -</u>	<u>\$ 1,125,458</u>	<u>\$ 2,177,417</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 1,218,340	\$ -	\$ -	\$ 1,218,340
Domestic unlisted stocks	-	-	456,109	456,109
Foreign unlisted stocks	-	-	30,496	30,496
Limited partnerships	-	-	249,827	249,827
	<u>\$ 1,218,340</u>	<u>\$ -</u>	<u>\$ 736,432</u>	<u>\$ 1,954,772</u>

There was no transfer between the fair value measurements of Levels 1 and 2 for the years ended December 31, 2021 and 2020.

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 of publicly traded companies).
- b) Valuation techniques and inputs applied for Level 2 fair value measurement:

Call 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 market approach or asset approach. The evaluation and assumptions are mainly referenced to related information of comparable transactions or companies. The unobservable input was liquidity discount rate, which were estimated to be 26.2% and 33.5% as of December 31, 2021 and 2020, respectively.

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

For the Year Ended December 31, 2021

	Financial Assets at FVTOCI - Equity Instruments
Balance at January 1, 2021	\$ 736,432
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	<u>389,026</u>
Balance at December 31, 2021	<u>\$ 1,125,458</u>

For the Year Ended December 31, 2020

	Financial Assets at FVTOCI - Equity Instruments
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>

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 a financial loss to TWM. The maximum credit exposure of the aforementioned financial instruments is equal to their carrying amounts recognized in the balance sheets 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 a 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, 2021 and 2020, TWM had unused bank facilities of \$46,518,715 thousand and \$58,829,513 thousand, respectively.

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

	Contractual Cash Flows	Within 1 Year	1-5 Years	5-10 Years
<u>December 31, 2021</u>				
Unsecured loans	\$ 18,818,117	\$ 18,818,117	\$ -	\$ -
Unsecured loans - related parties	11,579,042	11,579,042	-	-
Commercial papers payable	11,186,827	4,642,649	6,544,178	-
Bonds payable	38,902,510	288,130	20,877,880	17,736,500
Lease liabilities	<u>7,423,605</u>	<u>2,979,718</u>	<u>4,428,984</u>	<u>14,903</u>
	<u>\$ 87,910,101</u>	<u>\$ 38,307,656</u>	<u>\$ 31,851,042</u>	<u>\$ 17,751,403</u>

(Continued)

	Contractual Cash Flows	Within 1 Year	1-5 Years	5-10 Years
<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>

(Concluded)

5) Market risk

Market risk is the risk that arising from the changes in foreign exchange rates, interest rates, and prices, and 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 revenue and expenses are measured in NTD. A small portion of the expenses is paid in USD, EUR, etc.; thus, TWM purchases currency at the spot rate based on the conservative principle in order to hedge exchange rate risk.

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

	December 31, 2021		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 18,101	27.66	\$ 500,668
EUR	1,273	31.25	39,797
Non-monetary items			
USD	25,933	27.66	717,319
<u>Foreign currency liabilities</u>			
Monetary items			
USD	10,977	27.66	303,623
EUR	2	31.25	72

December 31, 2020			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<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

Refer to Note 22(a) for the information related to TWM's realized and unrealized foreign exchange gains (losses) for the years ended December 31, 2021 and 2020, 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 \$11,839 thousand and \$34,301 thousand for the years ended December 31, 2021 and 2020, 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:

December 31		
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 352,954	\$ -
Financial liabilities	86,504,048	87,468,241
Cash flow interest rate risk		
Financial assets	1,538,012	1,477,921

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 decreased by 50 basis points (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have decreased by \$7,690 thousand and \$7,390 thousand for the years ended December 31, 2021 and 2020, respectively.

c) Other market price risk

The exposure to financial instrument 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 financial 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 \$108,871 thousand and \$97,739 thousand since the fair value of financial assets at FVTOCI decreased for the years ended December 31, 2021 and 2020, respectively.

28. RELATED-PARTY TRANSACTIONS

a. Related party name and nature of relationship

Related Party	Nature of Relationship
Taiwan Cellular Co., Ltd. (TCC)	Subsidiary
Wealth Media Technology Co., Ltd. (WMT)	Subsidiary
TWM Venture Co., Ltd. (TVC)	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
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

(Continued)

Related Party	Nature of Relationship
Fu Sheng Logistics Co., Ltd. (FSL)	Subsidiary
MFS Co., Ltd. (MFS)	Subsidiary
TWM Film Co., Ltd. (TWMFM)	Subsidiary
AppWorks Ventures Co., Ltd.	Associate
Mistake Entertainment Co., Ltd. (M.E.)	Associate
kbro Media Co., Ltd. (kbro Media)	Associate
Good Image Co., Ltd.	Associate (subsidiary of kbro Media)
Taiwan Pelican Express Co., Ltd. (TPE)	Associate (not a related party since the first quarter of 2021)
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Other related party
Fubon Insurance Co., Ltd. (Fubon Ins.)	Other related party
Fubon Sports & Entertainment Co., Ltd. (FSE)	Other related party
Fubon Property Management Co., Ltd.	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 Insurance Agency Co., Ltd.	Other related party (formerly known as Fu-Sheng Life Insurance Agency Co., Ltd.)
Fubon Insurance Agency Co., Ltd.	Other related party (formerly known as Fu-Sheng General Insurance Agency Co., Ltd.)
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
P. League+ Co., Ltd.	Other related party
Jih Sun Financial Holding Co., Ltd.	Other related party
Jih Sun Securities Co., Ltd.	Other related party
Jih Sun International Bank, Ltd.	Other related party
Jih Sun International Property Insurance Agent Co., Ltd.	Other related party
Jih Sun Life Insurance Agent Co., Ltd.	Other related party
Jih Sun Futures Co., Ltd.	Other related party
Jih Sun Securities Investment Consulting 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 (not a related party since the third quarter of 2021)
Chen Feng Investment Ltd.	Other related party
Chen Yun Co., Ltd.	Other related party
Xi Guo Co., Ltd.	Other related party
Dun Fu Industrial Co., Ltd.	Other related party
kbro Co., Ltd. (kbro)	Other related party
Daanwenshan CATV Co., Ltd.	Other related party
North Taoyuan CATV Co., Ltd.	Other related party

(Continued)

Related Party	Nature of Relationship
Yangmingshan CATV Co., Ltd.	Other related party
Hsin Taipei CATV Co., Ltd.	Other related party
Chinpingtao CATV Co., Ltd.	Other related party
Hsintangcheng CATV Co., Ltd.	Other related party
Chuanlien CATV Co., Ltd.	Other related party
Chen Tao Cable TV Co., Ltd.	Other related party
Fengmeng Cable TV Co., Ltd.	Other related party
Hsinpingtao CATV Co., Ltd.	Other related party
Kuansheng CATV Co., Ltd.	Other related party
Nantien CATV Co., Ltd.	Other related party
Taiwan Win TV Media Co., Ltd.	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, vice president, etc.
	(Concluded)

b. Significant transactions with related parties

1) Operating revenue

	For the Year Ended December 31	
	2021	2020
Subsidiaries	\$ 2,945,000	\$ 2,493,856
Associates	2,175	17,799
Other related parties	<u>256,937</u>	<u>227,661</u>
	<u>\$ 3,204,112</u>	<u>\$ 2,739,316</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

	For the Year Ended December 31	
	2021	2020
Subsidiaries		
TFN	\$ 4,231,243	\$ 4,471,069
Others	792,830	633,626
Associates	1,730	3,386
Other related parties	<u>376,108</u>	<u>38,985</u>
	<u>\$ 5,401,911</u>	<u>\$ 5,147,066</u>

The entities mentioned above provide telecommunications and value-added services, purchases, broadband and other services. The transaction terms with related parties were not significantly different from those with third parties.

3) Receivables due from related parties

Account	Related Party Categories	December 31	
		2021	2020
Accounts receivable	Subsidiaries	\$ 419,927	\$ 453,417
Accounts receivable	Associates	333	1,179
Accounts receivable	Other related parties	<u>50,049</u>	<u>32,774</u>
		<u>\$ 470,309</u>	<u>\$ 487,370</u>
Other receivables	Subsidiaries	\$ 72,675	\$ 33,745
Other receivables	Other related parties	<u>31,343</u>	<u>20,925</u>
		<u>\$ 104,018</u>	<u>\$ 54,670</u>

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

4) Payables due to related parties

Account	Related Party Categories	December 31	
		2021	2020
Accounts payable	Subsidiaries	\$ 211,375	\$ 214,721
Accounts payable	Associates	76	-
Accounts payable	Other related parties	<u>82,575</u>	<u>50</u>
		<u>\$ 294,026</u>	<u>\$ 214,771</u>
Other payables	Subsidiaries	\$ 552,088	\$ 585,816
Other payables	Other related parties	<u>22,929</u>	<u>10,568</u>
		<u>\$ 575,017</u>	<u>\$ 596,384</u>

5) Borrowings from related parties

	December 31	
	2021	2020
Subsidiaries		
TFN	\$ 7,913,000	\$ 8,453,000
WMT	3,230,000	3,071,000
Others	<u>388,000</u>	<u>946,000</u>
	<u>\$ 11,531,000</u>	<u>\$ 12,470,000</u>

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

6) Bank deposits and other financial assets

	December 31	
	2021	2020
Other related parties		
TFCB	\$ <u>620,624</u>	\$ <u>440,543</u>

7) Acquisition of subsidiary

Related Party Transaction	Transaction Period	Shares (In Thousands)	Purchase Price
Contributions to TVC's capital increase	2021	57,000	\$ <u>570,000</u>

8) Others

	December 31	
	2021	2020
Refundable deposits		
Subsidiaries	\$ 34,910	\$ 27,515
Other related parties	<u>10,425</u>	<u>7,794</u>
	<u>\$ 45,335</u>	<u>\$ 35,309</u>
Other current liabilities - receipts under custody		
Subsidiaries	\$ 77,691	\$ 55,136
Other related parties	<u>159,666</u>	<u>150,528</u>
	<u>\$ 237,357</u>	<u>\$ 205,664</u>

	For the Year Ended December 31	
	2021	2020
Operating expenses		
Subsidiaries		
TFN	\$ 34,247	\$ 32,363
TT&T	999,906	1,008,960
Associates	13,760	2,242
Other related parties		
TMF	17,100	15,650
FSE	38,761	32,571
TFCB	123,566	124,538
Others	<u>95,017</u>	<u>53,334</u>
	<u>\$ 1,322,357</u>	<u>\$ 1,269,658</u>

For the years ended December 31, 2021 and 2020, TWM's service charges received (recognized as deduction of other income and expenses) were as follows:

	For the Year Ended December 31	
	2021	2020
Amounts received		
Subsidiaries		
TFN	\$ 404,344	\$ 392,889
Others	<u>21,768</u>	<u>7,488</u>
	<u>\$ 426,112</u>	<u>\$ 400,377</u>

For the years ended December 31, 2021 and 2020, TWM's service charges paid were as follows:

	For the Year Ended December 31	
	2021	2020
Amounts paid		
Subsidiaries		
TFN	<u>\$ 55,820</u>	<u>\$ 63,706</u>
	For the Year Ended December 31	
	2021	2020
Finance costs - interest expenses of financing from other parties		
Subsidiaries		
TFN	\$ 74,489	\$ 73,515
Others	<u>34,864</u>	<u>31,006</u>
	<u>\$ 109,353</u>	<u>\$ 104,521</u>

9) Lease arrangements

Acquisition of right-of-use assets

	For the Year Ended December 31	
	2021	2020
Subsidiaries	\$ 144,811	\$ 13,497
Other related parties	<u>172,504</u>	<u>4,862</u>
	<u>\$ 317,315</u>	<u>\$ 18,359</u>

Lease liabilities (including current and non-current portions)

	December 31	
	2021	2020
Subsidiaries	\$ 452,580	\$ 478,155
Other related parties	<u>231,579</u>	<u>36,387</u>
	<u>\$ 684,159</u>	<u>\$ 514,542</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:

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 272,962	\$ 234,685
Termination and post-employment benefits	<u>8,070</u>	<u>5,578</u>
	<u>\$ 281,032</u>	<u>\$ 240,263</u>

29. ASSETS PLEDGED

The assets pledged as collateral for performance bonds were as follows:

	December 31	
	2021	2020
Other current financial assets	\$ 28,105	\$ 36,514
Other non-current financial assets	<u>480</u>	<u>480</u>
	<u>\$ 28,585</u>	<u>\$ 36,994</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	December 31	
	2021	2020
Purchases of property, plant and equipment	\$ 2,724,280	\$ 7,625,904
Purchases of inventories and sales commitments	<u>\$ 7,252,941</u>	<u>\$ 5,500,331</u>

As of December 31, 2021 and 2020, the amounts of lease commitments commencing after the balance sheet dates were \$215,517 thousand and \$418,371 thousand, respectively.

- b. As of December 31, 2021 and 2020, the amounts of endorsements and guarantees provided to TFN, TKT and TVC were \$24,750,000 thousand and \$21,550,000 thousand, respectively.
- c. In August 2015, Far Eastone Telecommunications Co., Ltd. (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.

- d. On December 30, 2021, TWM’s Board of Directors resolved and signed the merger agreement with Taiwan Star Telecom Corporation Limited (TST), in order to expand the business scale and boost the operating performance and competitiveness. The merger will be done in accordance with the Business Mergers And Acquisitions Act and TWM will be the surviving company. The tentative share exchange ratio is one TST share for 0.04508 TWM shares, with TWM anticipating to issue 282,222 thousand shares to the stockholders of TST. The merger is subject to regulatory approvals or adjustments, if any.

31. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

- a. In January 2022, the Board of Directors resolved that TWM would purchase mobile broadband equipment from Nokia Solutions and Networks Taiwan Co., Ltd. The total amount of the contract would not exceed \$4,205,000 thousand.
- b. In January 2022, the Board of Directors resolved that TWM would participate in the new stock issued by TVC with \$2,800,000 thousand.

32. OTHERS

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

For the Year Ended December 31, 2021				
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Operating Costs or Expense Deduction	Total
Employee benefits				
Salary	\$ 1,177,769	\$ 2,641,517	\$ 296,335	\$ 4,115,621
Insurance expenses	85,365	225,462	18,235	329,062
Pension	45,900	109,908	9,587	165,395
Compensation of directors	-	98,801	-	98,801
Others	48,534	133,232	-	181,766
Depreciation	8,426,821	816,879	-	9,243,700
Amortization	4,224,137	1,434,041	-	5,658,178

For the Year Ended December 31, 2020				
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Operating Costs or Expense Deduction	Total
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

- 1) For the years ended December 31, 2021 and 2020, the average numbers of TWM employees were 3,770 and 3,766, respectively, and the numbers of directors who were not employees were both 8.
- 2) For the years ended December 31, 2021 and 2020, TWM's average employee benefits were \$1,274 thousand and \$1,187 thousand, respectively, and TWM's average salaries were \$1,094 thousand and \$1,017 thousand, respectively. The percentage change in the average salary expenses was 7.6%.
- 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 40%-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. To fulfill the performance-oriented compensation policy, TWM shares the operating achievements with employees by settling bonuses and compensation according to the performance of the employee.

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, 2021 and 2020, 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 2021 and 2020 shown below were approved by the Board of Directors on February 22, 2022 and February 25, 2021, respectively. The differences between the approval amounts and the amounts recognized in the 2020 financial statements have been adjusted in the next year.

	For the Year Ended December 31			
	2021		2020	
	Employees' Compensation Paid in Cash	Remuneration of Directors	Employees' Compensation Paid in Cash	Remuneration of Directors
Amounts approved by the Board of Directors	\$ 362,061	\$ 36,206	\$ 390,869	\$ 39,087
Amounts recognized in the financial statements	\$ 362,061	\$ 36,206	\$ 351,782	\$ 35,178

Information on the employees' compensation and remuneration of directors approved by the Board of Directors is available at 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 pandemic 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.

33. ADDITIONAL DISCLOSURES

- a. Information on significant transactions and b. Information on investees:

- 1) Financing extended to other parties: Table 1 (attached)
- 2) Endorsements/guarantees provided to other parties: Table 2 (attached)
- 3) Marketable securities held (excluding investments in subsidiaries and associates): Table 3 (attached)
- 4) Marketable securities acquired 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)

34. SEGMENT INFORMATION

Please refer to the consolidated financial statements for the year ended December 31, 2021.

TABLE 1

TAIWAN MOBILE CO., LTD.

FINANCING EXTENDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2021

(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	\$ 388,000	0.86856%-0.86900%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 32,562,744	\$ 32,562,744	Note 2
			Other receivables	Yes	700,000	700,000	341,000	1.16867%-1.16878%	Short-term financing	-	Operation requirements	-	-	-	32,562,744	32,562,744	Note 2
2	WMT	TWM TKT TFNM WTVB	Other receivables	Yes	3,800,000	3,800,000	3,230,000	0.86867%-0.87033%	Short-term financing	-	Operation requirements	-	-	-	8,906,738	8,906,738	Note 2
			Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	8,906,738	8,906,738	Note 2
			Other receivables	Yes	2,500,000	2,150,000	350,000	0.86856%-0.87178%	Short-term financing	-	Operation requirements	-	-	-	8,906,738	8,906,738	Note 2
			Other receivables	Yes	1,200,000	1,200,000	760,000	0.86856%-0.87033%	Short-term financing	-	Operation requirements	-	-	-	8,906,738	8,906,738	Note 2
3	TVC	TWM	Other receivables	Yes	600,000	-	-	0.86867%	Short-term financing	-	Operation requirements	-	-	-	1,094,484	1,094,484	Note 2
4	TFN	TWM TCC	Other receivables	Yes	11,000,000	11,000,000	7,913,000	0.86856%-0.86900%	Short-term financing	-	Operation requirements	-	-	-	21,064,158	21,064,158	Note 2
			Other receivables	Yes	700,000	700,000	341,000	0.86867%-0.86878%	Short-term financing	-	Operation requirements	-	-	-	21,064,158	21,064,158	Note 2
5	YJCTV	TFNM	Other receivables	Yes	60,000	30,000	20,000	0.86878%-0.86900%	Transactions	419,015	-	-	-	-	419,015	419,015	Notes 3 and 4
6	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	0.86878%-0.86900%	Transactions	530,343	-	-	-	-	530,343	530,343	Notes 3 and 4
7	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	0.86878%-0.86900%	Short-term financing	-	Repayment of financing	-	-	-	286,090	286,090	Note 3

- Note 1: The maximum balance for the period and the ending balance represent quotas, not actual drawdown.
- Note 2: Where funds are loaned for reasons of business dealings and short-term financing needs, the amount of loaned funds shall be limited to 40% of the lending company’s net worth. For short-term financing needs, the aggregate amount of loaned funds shall not exceed 40% of the lending company’s net worth. The individual loan funds shall be limited to the lowest amount of the following items: 1) 40% of the lending company’s net worth; 2) The amount that the lending company invests in the borrowing entities; or 3) An amount equal to (the share portion of the borrowing entities that the lending company invests in) * (the total loaning amounts of the borrowing company). In the event that a lending company directly and indirectly owns 100% of the borrowing company, or the borrowing company directly and indirectly owns 100% of the lending company, the individual lending amount and the aggregate amount of loaned funds shall not exceed 40% of the lending company’s net worth.
- Note 3: Where funds are loaned for reasons of business dealings and short-term financing needs, the amount of loaned funds shall be limited to the total amount of business dealings and 40% of the lending company’s net worth. 1) For reasons of business dealings: The individual lending amount and the aggregate amount of loaned funds shall not exceed the amount of business dealings and the total amount of business dealings, respectively. 2) For short-term financing needs: The individual lending amount and the aggregate amount of loaned funds shall not exceed 40% of the lending company’s net worth.
- Note 4: Where funds are loaned for reasons of business dealings, the aggregate amount of loans and the maximum amount permitted to a single borrower shall be prescribed within the aggregate amount of business transactions.

TABLE 2

TAIWAN MOBILE CO., LTD.

**ENDORSEMENTS/GUARANTEES PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

(In Thousands of New Taiwan Dollars)

No.	Company Providing Endorsements/ Guarantees	Receiving Party		Limits on Endorsements/ Guarantees Amount Provided to Each Entity	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts (Note 1)	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor (Note 1)	Maximum Endorsements/ Guarantees Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship											
0	TWM	TFN	Note 2	\$ 42,000,000	\$ 21,500,000	\$ 21,500,000	\$ 6,500,000	\$ -	32.81	\$ 65,533,753	Y	N	N	Note 3
		TKT	Note 2	313,800	50,000	50,000	50,000	-	0.08	65,533,753	Y	N	N	Note 3
		TVC	Note 2	4,350,000	3,200,000	3,200,000	1,830,400	-	4.88	65,533,753	Y	N	N	Note 3

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

Note 2: Direct/indirect subsidiary.

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

TABLE 3

TAIWAN MOBILE CO., LTD.

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)
DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	At the End of the Period				Note
				Units/Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
TWM	<u>Listed Stocks</u>							
	Chunghwa Telecom Co., Ltd.	-	Current financial assets at FVTOCI	2,174	\$ 253,214	0.028	\$ 253,214	
	Asia Pacific Telecom Co., Ltd.	-	Non-current financial assets at FVTOCI	97,171	798,745	2.25	798,745	
	<u>Unlisted Stocks</u>							
	LINE Bank Taiwan Limited	-	Non-current financial assets at FVTOCI	50,000	408,139	5	408,139	
	Bridge Mobile Pte. Ltd.	-	Non-current financial assets at FVTOCI	800	27,672	10	27,672	
	<u>Limited Partnerships</u>							
	Grand Academy Investment, L.P.	-	Non-current financial assets at FVTOCI	-	644,893	21.67	644,893	Note 1
	Starview Heights Investment, L.P.	-	Non-current financial assets at FVTOCI	-	44,754	21.67	44,754	Note 1
TCC	<u>Unlisted Stocks</u>							
	Arcoa Communication Co., Ltd.	-	Non-current financial assets at FVTOCI	6,998	100,563	5.21	100,563	
WMT	<u>Limited Partnerships</u>							
	The Last Thieves, L.P.	-	Current financial assets at FVTPL	-	-	7.14	-	Note 1
TVC	<u>Listed Stocks</u>							
	91APP, Inc.	-	Non-current financial assets at FVTOCI	2,500	660,000	2.07	660,000	
	<u>Unlisted Stocks</u>							
	Stampede Entertainment, Inc.	-	Non-current financial assets at FVTOCI	1,333	336,982	8.24	336,982	
	TIKI GLOBAL PTE. LTD.	-	Non-current financial assets at FVTOCI	760	553,784	2.51	553,784	
	FIGMENT INC.	-	Non-current financial assets at FVTOCI	-	27,659	0.11	27,659	Note 2
	17LIVE INC.	-	Non-current financial assets at FVTPL	38	1,502	0.015	1,502	
	<u>Limited Partnerships</u>							
	AUM CREATIVE FUND II	-	Non-current financial assets at FVTPL	-	2,939	16.21	2,939	Note 1
	Linse Capital Fund I, L.P.	-	Non-current financial assets at FVTPL	-	19,329	0.95	19,329	Note 1
	Pantera Blockchain Offshore Fund L.P.	-	Non-current financial assets at FVTPL	-	44,256	0.65	44,256	Note 1
	Pioneer Fund II L.P.	-	Non-current financial assets at FVTPL	-	30,383	20.19	30,383	Note 1
	Soma Capital Fund III, L.P.	-	Non-current financial assets at FVTPL	-	37,058	1.23	37,058	Note 1
	<u>Convertible Notes</u>							
	Carsome Group Pte Ltd.	-	Non-current financial assets at FVTPL	-	138,300	-	138,300	

(Continued)

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	At the End of the Period				Note
				Units/Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
TCCI	<u>Listed Stocks</u> TWM	TWM	Non-current financial assets at FVTOCI	200,497	\$ 20,049,676	5.7	\$ 20,049,676	
	<u>Unlisted Stocks</u> Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at FVTOCI	10,000	38,267	6.67	38,267	
TUI	<u>Listed Stocks</u> TWM	TWM	Non-current financial assets at FVTOCI	410,665	41,066,528	11.67	41,066,528	
TID	<u>Listed Stocks</u> TWM	TWM	Non-current financial assets at FVTOCI	87,590	8,758,956	2.49	8,758,956	
momo	<u>Unlisted Stocks</u> Media Asia Group Holdings Limited	-	Current financial assets at FVTOCI	4,367	15,179	0.15	15,179	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at FVTOCI	3,140	61,177	7.85	61,177	

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

Note 2: The shares held as of the period ended were fewer than 1,000 shares.

Note 3: For the information on investments in subsidiaries and associates, see Table 8 and Table 9 for details.

(Concluded)

TABLE 4

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, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	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 (Note 1)	Units/Shares (In Thousands)	Amount (Note 2)
TWM	TVC	Investments accounted for using equity method	-	Subsidiary	160,500	\$ 1,587,474	57,000	\$ 570,000	-	\$ -	\$ -	\$ -	217,500	\$ 2,736,210
TVC	AppWorks Fund III	Investments accounted for using equity method	-	Associate	33,000	315,027	36,025	364,767	-	-	-	-	69,025	689,849
	TIKI GLOBAL PTE. LTD.	Non-current financial assets at FVTOCI	-	-	-	-	760	560,678	-	-	-	-	760	553,784
momo	TPE	Investments accounted for using equity method	Note 3	Note 3	14,793	386,414	-	-	14,793	466,547	410,229	99,052	-	-

Note 1: The amounts included capital surplus derecognized and other comprehensive income transferred in.

Note 2: The ending balance included the relevant adjustments to investments accounted for using equity method and financial assets.

Note 3: Sold on the open market.

TABLE 5

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, 2021

(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
momo	Warehousing logistics construction	May 5, 2021	\$ 2,276,190	momo has paid \$115,129 thousand. The remaining amount will be settled in monthly instalments after the acceptance.	Li Jin Engineering Co., Ltd.	-	-	-	-	\$ -	Budget commitments had been approved by the Board of Directors, and determined by price comparison and price negotiation	Business development needs	None
	Land	September 3, 2021	1,321,137	momo has paid \$264,227 thousand. The remaining amounts will be settled in accordance with the contract.	Tung Chin Textile Co., Ltd.	-	-	-	-	-	Determined by the professional appraisal report and market conditions	Set up a central logistics center for operational needs	None

TABLE 6

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, 2021**

(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	\$ 178,998	-	Based on contract terms	-	-	\$ 30,565	1	Note 3
			Purchase	4,231,243	9	Based on contract terms	-	-	(439,969)	Note 2	Note 3
	TPIA	Subsidiary	Sale	193,005	-	Based on contract terms	-	-	78,994	1	Note 3
	TFNM	Subsidiary	Purchase	127,859	-	Based on contract terms	-	-	(31,842)	1	
	TKT	Subsidiary	Purchase	369,080	1	Based on contract terms	-	-	(81,033)	4	
	momo	Subsidiary	Sale	2,544,460	4	Based on contract terms	-	-	302,119	5	
			Purchase	224,268	1	Based on contract terms	-	-	(16,590)	1	
	TWM&TDS	Fubon Ins.	Other related party	Sale	249,252	-	Based on contract terms	-	-	48,980	1
TNH	TWM	Parent	Sale	124,156	23	Based on contract terms	-	-	6,353	53	
TFN	TFNM	Fellow subsidiary	Sale	183,501	2	Based on contract terms	-	-	30,032	3	
	TFC	Fellow subsidiary	Sale	106,326	1	Based on contract terms	-	-	19,158	2	
	Fubon Life	Other related party	Sale	133,263	2	Based on contract terms	-	-	11,603	1	
	kbro	Other related party	Sale	355,501	4	Based on contract terms	-	-	61,254	6	
TT&T	TWM	Ultimate parent	Sale	999,906	90	Based on contract terms	-	-	81,321	91	
	TFN	Fellow subsidiary	Sale	106,856	10	Based on contract terms	-	-	8,436	9	
TPIA	Fubon Ins.	Other related party	Sale	311,876	92	Based on contract terms	-	-	94,845	94	
TFNM	YJCTV	Subsidiary	Channel leasing fee	385,106	11	Based on contract terms	Note 1	Note 1	-	-	
	PCTV	Subsidiary	Channel leasing fee	490,628	14	Based on contract terms	Note 1	Note 1	-	-	
	UCTV	Subsidiary	Channel leasing fee	216,618	6	Based on contract terms	Note 1	Note 1	-	-	
	GCTV	Subsidiary	Channel leasing fee	176,578	5	Based on contract terms	Note 1	Note 1	-	-	
MCTV	Dai-Ka	Other related party	Royalty for copyright	154,723	51	Based on contract terms	Note 1	Note 1	(154,723)	93	
WTVB	kbro	Other related party	Sale	227,013	22	Based on contract terms	-	-	79,454	7	
momo	FSL	Subsidiary	Purchase	438,968	1	Based on contract terms	-	-	(142,499)	2	Note 4
	MFS	Subsidiary	Purchase	171,392	-	Based on contract terms	-	-	(21,950)	-	
	kbro	Other related party	Purchase	136,736	-	Based on contract terms	-	-	(112,054)	1	
	TPE	Associate	Purchase	127,694	-	Based on contract terms	-	-	-	-	

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.

Note 4: TPE has not been a related party since the first quarter of 2021.

TABLE 7**TAIWAN MOBILE CO., LTD.****RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021****(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	\$ 302,119	7.86	\$ -	-	\$ 296,046	\$ -
			Other receivables	34,552		-	-	3,834	-
TCC	TWM	Parent	Other receivables	388,657		-	-	155	-
	TFC	Subsidiary	Other receivables	341,622		-	-	-	-
WMT	TWM	Parent	Other receivables	3,238,984		-	-	3,238,984	-
	TFNM	Subsidiary	Other receivables	351,291		-	-	1,291	-
	WTVB	Subsidiary	Other receivables	761,175		-	-	74	-
TFN	TWM	Ultimate parent	Accounts receivable	446,218	9.11	-	-	394,733	-
			Other receivables	7,986,799		-	-	23,699	-
	TCC	Parent	Other receivables	341,463		-	-	-	-
PCTV	TFNM	Parent	Accounts receivable	5,814	7.57	-	-	3,735	-
			Other receivables	520,036		-	-	35	-
GCTV	TFNM	Parent	Accounts receivable	2,442	7.55	-	-	1,528	-
			Other receivables	250,002		-	-	1	-
momo	TWM	Ultimate Parent	Accounts receivable	58,675	5.8	-	-	57,895	-
			Other receivables	45,248		-	-	30,163	-
	TFCB	Other related party	Accounts receivable	43,255	Note	-	-	28,620	-
			Other receivables	199,813		-	-	199,813	-
FSL	momo	Parent	Accounts receivable	142,499	4.79	-	-	139,068	-

Note: Not applicable due to the transaction partners and the nature of transactions.

TABLE 8

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, 2021**

(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance at the End of the Period			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2021	December 31, 2020	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
TWM	TCC	Taiwan	Investment	\$ 40,397,288	\$ 40,397,288	502,970	100	\$ 18,772,200	\$ 3,170,178	\$ 3,171,375	Note 1
	WMT	Taiwan	Investment	16,871,894	16,871,894	42,065	100	22,266,600	3,203,688	3,203,374	Note 1
	TVC	Taiwan	Investment	2,175,000	1,605,000	217,500	100	2,736,210	74,591	74,591	
	TNH	Taiwan	Building and operating Songsshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,904,402	81,087	40,422	Note 1
	AppWorks	Taiwan	Venture capital, investment consulting, and management consulting	235,000	235,000	1,275	51	270,997	8,463	3,455	Note 1
	ADT	Taiwan	Technology development of mobile payment and information processing services	Note 2	60,000	Note 2	Note 2	Note 2	Note 2	(118)	Note 2
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	52,661,358	2,919,340	-	Note 3
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	119,421	51,082	-	Note 3
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	221,388	(2,279)	-	Notes 3 and 4
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	27,423,600	2,518	-	Note 3
	TDS	Taiwan	Commissioned maintenance services	25,000	25,000	2,500	100	102,554	8,162	-	Note 3
	TPIA	Taiwan	Property insurance agent	5,000	5,000	500	100	106,830	96,830	-	Note 3
	TFC	Taiwan	Cloud and information services	200,000	200,000	20,000	100	179,592	(6,078)	-	Note 3
WMT	TFNM	Taiwan	Type II telecommunications business	5,210,443	5,210,443	230,921	100	6,985,495	1,692,548	-	Note 3
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	17,243	120	-	Note 3
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	98,318	3,025	-	Note 3
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	296,481	30,242	-	Note 3
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	81,961	45.01	10,493,176	3,280,300	-	Notes 3 and 5
TVC	TWMFM	Taiwan	Film production	300	-	30	100	239	(61)	-	Note 3
	AppWorks Fund III	Taiwan	Venture capital	694,767	330,000	69,025	20.14	689,849	370,900	-	Note 3
	NADA	Taiwan	Animation production	60,000	-	4,286	37.93	59,705	(9,631)	-	Note 3
TFN	TUI	Taiwan	Investment	22,314,609	22,314,609	400	100	35,789,275	(74)	-	Note 3
TCCI	TID	Taiwan	Investment	3,603,149	3,603,149	104,712	100	7,638,525	(142)	-	Note 3
TFNM	TKT	Taiwan	Digital music services	156,900	156,900	14,700	100	398,793	120,179	-	Note 3
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	1,507,665	(62,287)	-	Note 3
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	630,572	33,287	-	Notes 3 and 6
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,461,202	140,418	-	Note 3
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,047,699	34,638	-	Note 3
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,283,251	46,581	-	Note 3
	kbro Media	Taiwan	Film distribution, arts and literature services, and entertainment	341,250	341,250	21,994	33.58	141,885	(76,551)	-	Note 3
TKT	M.E.	Taiwan	Livestreaming artists management services and digital media production	27,000	27,000	460	15	26,494	5,316	-	Note 3

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance at the End of the Period			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2021	December 31, 2020	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
GFMT	UCTV	Taiwan	Cable TV service provider	\$ 16,218	\$ 16,218	1,300	0.76	\$ 15,742	\$ 34,638	\$ -	Note 3
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	96,865	46,581	-	Note 3
momo	Asian Crown (BVI)	British Virgin Islands	Investment	885,285	885,285	9,735	81.99	20,170	(13,303)	-	Note 3
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	643,897	(27,501)	-	Note 3
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	5,202	(1,917)	-	Note 3
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	11,386	3,657	-	Note 3
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	43,830	3,105	-	Note 3
	Bebe Poshe	Taiwan	Wholesale of cosmetics	85,000	85,000	8,500	85	31,716	(11,389)	-	Note 3
	FSL	Taiwan	Logistics and transport	250,000	250,000	25,000	100	309,059	62,486	-	Note 3
	MFS	Taiwan	Wholesaling	100,000	100,000	10,000	100	106,154	5,972	-	Note 3
	Prosperous Living	Taiwan	Wholesale and retail sales	220,850	-	22,085	73.62	220,718	(180)	-	Note 3
	TV Direct	Thailand	Wholesale and retail sales	175,413	175,413	191,213	21.35	120,346	(210,911)	-	Note 3
	TPE	Taiwan	Logistics industry	Note 7	295,860	Note 7	Note 7	Note 7	Note 7	-	Notes 3 and 7
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,132,789	11,594	100	20,548	(13,116)	-	Note 3
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,132,789	11,594	100	20,548	(13,116)	-	Note 3
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	643,897	(27,501)	-	Note 3

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

Note 2: Had completed liquidation in August 2021.

Note 3: The income/loss of the investee was already included in the income/loss of the investor, and is not presented in this table.

Note 4: Held 1 share as of period end.

Note 5: Non-controlling interests.

Note 6: 70.47% of stocks are held under trustee accounts.

Note 7: momo sold all of its equity interest of TPE in March 2021.

Note 8: For information on investments in mainland China, see Table 9 for the details.

(Concluded)

TABLE 9

TAIWAN MOBILE CO., LTD.
INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021

(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 at the Beginning of the Period	Investment Flows		Accumulated Outflow of Investment from Taiwan at the End of the Period	Net Income (Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value at the End of the Period	Accumulated Inward Remittance of Earnings at the End of the Period	Note
					Outflow	Inflow							
TWMC	Data communication application development	\$ 82,980 (USD 3,000)	b	\$ 134,757 (USD 4,872)	\$ -	\$ -	\$ 134,757 (USD 4,872)	\$ 1,438	100	\$ 1,438	\$ 80,909	\$ -	
FGE	Wholesaling	336,428 (RMB 77,500)	b	774,748 (USD 14,000) (RMB 89,267)	-	-	774,748 (USD 14,000) (RMB 89,267)	(13,669)	76.7	(10,484)	10,604	-	
Haobo	Investment	47,751 (RMB 11,000)	b	-	-	-	-	(27,559)	100	(27,559)	615,915	-	
GHS	Wholesaling	217,050 (RMB 50,000)	b	-	-	-	-	154,537	20	(27,863)	571,213	-	

Company	Accumulated Investment in Mainland China at the End of the Period	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2)
TWM and subsidiaries	\$1,507,313 (US\$18,872, RMB89,267 and HK\$168,539)	\$1,507,313 (US\$18,872, RMB89,267 and HK\$168,539)	\$43,966,199

Note 1: The investment types are as follows:

- a. Direct investment in mainland China.
- b. Indirect investments in mainland China through subsidiaries, invested by TCC and momo, in third regions.
- c. Others.

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

TAIWAN MOBILE CO., LTD
INFORMATION OF MAJOR STOCKHOLDERS
DECEMBER 31, 2021

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
TUI	410,665,284	11.67
Shin Kong Life Insurance Co., Ltd.	254,728,000	7.24
Cathay Life Insurance Co., Ltd.	211,608,900	6.01
TCCI	200,496,761	5.70
Ming Dong Co., Ltd.	184,736,452	5.25

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 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, 2021****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Summary	Amount
Cash on hand and revolving funds		<u>\$ 111,334</u>
Cash in banks		
Demand deposits		1,061,995
Foreign currency deposits	(US\$14,755 thousand, at an exchange rate of \$27.66)	408,128
	(EUR1,258 thousand, at an exchange rate of \$31.25)	39,305
Checking account deposits		<u>5,434</u>
		<u>1,514,862</u>
		<u>\$ 1,626,196</u>

TAIWAN MOBILE CO., LTD.

**STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2021**

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Others (Note)	\$ 5,955,580
Less: Allowance for impairment loss	<u>(324,049)</u>
	<u>\$ 5,631,531</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, 2021
(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	\$ 20,412,476	-	\$ -	-	\$ (4,831,672)	\$ 3,191,396	520,970	100.0	\$ 18,772,200	\$ 81,406,861
WMT	42,065	21,386,300	-	-	-	(2,305,828)	3,186,128	42,065	100.0	22,266,600	22,266,846
TVC	160,500	1,587,474	57,000	570,000	-	-	578,736	217,500	100.0	2,736,210	2,736,210
TNH	191,866	1,863,980	-	-	-	-	40,422	191,866	49.9	1,904,402	1,900,447
AppWorks	1,275	265,526	-	-	-	-	5,471	1,275	51.0	270,997	35,055
ADT	6,000	<u>8,615</u>	-	<u>-</u>	(6,000)	<u>(8,497)</u>	<u>(118)</u>	-	-	<u>-</u>	-
		<u>\$ 45,524,371</u>		<u>\$ 570,000</u>		<u>\$ (7,145,997)</u>	<u>\$ 7,002,035</u>			<u>\$ 45,950,409</u>	

Note 1: The decrease in investments mainly resulted from receiving dividends of investees. ADT had completed the liquidation procedures in August 2021, and TWM received a liquidation capital return of \$7,830 thousand.

Note 2: The adjustments of investments accounted for using equity method include the share of the profit or loss and other comprehensive income of investees, changes in equity 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, 2021
(In Thousands of New Taiwan Dollars)

	Land	Buildings	Telecommuni- cations Equipment and Machinery	Others	Total
<u>Cost</u>					
Balance, January 1, 2021	\$ 897,835	\$ 11,477,497	\$ 503,397	\$ 169,252	\$ 13,047,981
Additions	213,629	3,224,901	30,873	21,732	3,491,135
Remeasurement of lease liabilities	(496)	3,861	3,573	-	6,938
Deductions	(127,633)	(1,898,726)	(28,664)	(19,928)	(2,074,951)
Others	<u>(2)</u>	<u>(12,948)</u>	<u>-</u>	<u>-</u>	<u>(12,950)</u>
Balance, December 31, 2021	<u>\$ 983,333</u>	<u>\$ 12,794,585</u>	<u>\$ 509,179</u>	<u>\$ 171,056</u>	<u>\$ 14,458,153</u>
<u>Accumulated depreciation</u>					
Balance, January 1, 2021	\$ 379,202	\$ 4,935,052	\$ 159,873	\$ 56,982	\$ 5,531,109
Depreciation	227,863	3,063,044	86,152	39,497	3,416,556
Deductions	(114,180)	(1,672,233)	(10,973)	(19,041)	(1,816,427)
Others	<u>-</u>	<u>(113)</u>	<u>-</u>	<u>-</u>	<u>(113)</u>
Balance, December 31, 2021	<u>\$ 492,885</u>	<u>\$ 6,325,750</u>	<u>\$ 235,052</u>	<u>\$ 77,438</u>	<u>\$ 7,131,125</u>
Carrying amount, December 31, 2021	<u>\$ 490,448</u>	<u>\$ 6,468,835</u>	<u>\$ 274,127</u>	<u>\$ 93,618</u>	<u>\$ 7,327,028</u>

TAIWAN MOBILE CO., LTD.

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Loan Type	Amount	Contract Period	Interest Rates	Loan Commitments	Collateral
Unsecured - bank	<u>\$ 18,800,000</u>	2021.10.29-2022.02.25	0.55%-0.87%	<u>\$ 58,568,000</u>	None
Unsecured - related parties					
TFN	7,913,000	2021.05.05-2022.05.04		11,000,000	None
WMT	3,230,000	2021.02.05-2022.02.04	0.86856%-0.86989%	3,800,000	None
TCC	<u>388,000</u>	2021.05.05-2022.05.04		<u>400,000</u>	None
	<u>11,531,000</u>			<u>15,200,000</u>	
	<u>\$ 30,331,000</u>			<u>\$ 73,768,000</u>	

TAIWAN MOBILE CO., LTD.

STATEMENT OF SHORT-TERM NOTES AND BILLS PAYABLE

DECEMBER 31, 2021

(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	2021.10.29-2022.02.25	0.398%-0.458%	\$ 2,800,000	\$ 1,390	\$ 2,798,610
	Mega Bill Finance Corporation	2021.11.30-2022.02.25		800,000	522	799,478
	Yuanta Commercial Bank	2021.10.29-2022.01.25		500,000	144	499,856
	Taishin International Bank	2021.10.29-2022.01.25		500,000	151	499,849
				<u>\$ 4,600,000</u>	<u>\$ 2,207</u>	<u>\$ 4,597,793</u>

TAIWAN MOBILE CO., LTD.**STATEMENT OF ACCOUNTS PAYABLE****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
Company A	\$ 980,410
Company B	211,222
Company C	96,120
Others (Note)	<u>606,680</u>
	<u>\$ 1,894,432</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, 2021****(In Thousands of New Taiwan Dollars)**

Item	Amount
Equipment and construction	\$ 2,473,221
Salaries and pension	1,319,337
Repair and maintenance expense	832,127
Estimated loss from lawsuits	765,779
Rents and utilities expense	628,969
Commissions	402,194
Others (Note)	<u>1,639,358</u>
	<u>\$ 8,060,985</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, 2021****(In Thousands of New Taiwan Dollars)**

Institution Providing Guarantee or Acceptance	Amount	Contract Period	Interest Rates	Collateral
Commercial papers payable				
China Bills Finance Corporation	\$ 2,998,864	2020.12.24-2023.12.25		None
Yuanta Commercial Bank	1,999,397	2020.12.31-2023.12.31	0.687%-0.697%	None
Mega Bill Finance Corporation	<u>1,499,548</u>	2020.12.25-2023.12.25		None
	<u>\$ 6,497,809</u>			

TAIWAN MOBILE CO., LTD.**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Item (Target)	Lease Terms	Discount Rates	Amount
Land	1-19 years	0.61%-1%	\$ 490,542
Buildings	1-14 years	0.61%-1%	6,470,838
Telecommunications equipment and machinery	6 years	0.79%-1%	288,444
Others	1-5 years	0.62%-0.86%	<u>94,343</u>
			<u>\$ 7,344,167</u>

TAIWAN MOBILE CO., LTD.**STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Amount
Telecommunications and value-added services revenue	\$ 41,083,469
Sales revenue	18,595,512
Other operating revenue (Note)	<u>165,823</u>
	<u>\$ 59,844,804</u>

Note: 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, 2021
(In Thousands of New Taiwan Dollars)**

Item	Amount
Cost of goods sold	\$ 20,350,441
Depreciation	8,426,821
Interconnecting cost (Note 1)	6,173,037
Government fees (Note 2)	4,635,165
Others (Note 3)	<u>5,211,996</u>
	<u>\$ 44,797,460</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, 2021
(In Thousands of New Taiwan Dollars)

Item	Marketing	Administrative	Total
Salaries and pension	\$ 1,579,584	\$ 1,240,981	\$ 2,820,565
Professional service fees	1,362,874	217,279	1,580,153
Amortization	1,306,101	127,940	1,434,041
Depreciation	569,644	245,966	815,610
Commissions and mobile phone subsidies	561,299	-	561,299
Service charges	239,375	344,717	584,092
Others (Note)	<u>1,047,677</u>	<u>712,867</u>	<u>1,760,544</u>
	<u>\$ 6,666,554</u>	<u>\$ 2,889,750</u>	<u>\$ 9,556,304</u>

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