

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
Total current assets	<u>16,800,099</u>	<u>10</u>	<u>16,039,175</u>	<u>9</u>	Other current liabilities (Note 28)	<u>2,133,401</u>	<u>1</u>	<u>2,145,065</u>	<u>1</u>
					Total current liabilities	<u>52,284,013</u>	<u>31</u>	<u>57,436,944</u>	<u>34</u>
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	<u>1,803,684</u>	<u>1</u>	<u>-</u>	<u>-</u>
Deferred tax assets (Note 23)	435,187	-	637,945	-	Total non-current liabilities	<u>52,164,794</u>	<u>30</u>	<u>48,068,799</u>	<u>28</u>
Incremental costs of obtaining a contract (Note 21)	1,710,107	1	1,671,623	1	Total liabilities	<u>104,448,807</u>	<u>61</u>	<u>105,505,743</u>	<u>62</u>
Other non-current assets (Notes 15, 28 and 29)	646,910	-	510,498	-	EQUITY (Note 20)				
Total non-current assets	<u>153,182,461</u>	<u>90</u>	<u>154,831,668</u>	<u>91</u>	Common stock	35,135,201	21	35,124,215	20
					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	<u>(29,717,344)</u>	<u>(17)</u>	<u>(29,717,344)</u>	<u>(17)</u>
					Total equity	<u>65,533,753</u>	<u>39</u>	<u>65,365,100</u>	<u>38</u>
TOTAL	<u>\$ 169,982,560</u>	<u>100</u>	<u>\$ 170,870,843</u>	<u>100</u>	TOTAL	<u>\$ 169,982,560</u>	<u>100</u>	<u>\$ 170,870,843</u>	<u>100</u>

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

TAIWAN MOBILE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 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)**

	Common Stock	Capital Collected in Advance	Capital Surplus	Retained Earnings			Other Equity Interests		Treasury Stock	Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE, JANUARY 1, 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	<u>16,451,660</u>	<u>20,658,925</u>

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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>\$ 1,626,196</u>	<u>\$ 1,542,179</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, TWMM had assessed that the application of above standards and interpretations would not have a material impact on TWMM’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, TWMM is continuously assessing the impact that the application of above standards and interpretations will have on TWMM’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

	<u>December 31</u>	
	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

	<u>December 31</u>	
	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

	<u>December 31</u>	
	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

		<u>Overdue</u>			
	<u>Not Past Due</u>	<u>1 to 120 Days</u>	<u>121 to 365 Days</u>	<u>Over 365 Days</u>	<u>Total</u>
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:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
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:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
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:

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

13. INVESTMENT PROPERTIES

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

The fair values of investment properties were measured using Level 3 inputs, arising from income approach, comparative approach, and cost approach adopted by a third party real estate appraiser, HomeBan Appraisers Joint Firm. As of December 31, 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	<u>-</u>	<u>18,517</u>
	<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	<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.

18. PROVISIONS

	<u>December 31</u>		
	<u>2021</u>	<u>2020</u>	
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:

	<u>December 31</u>	
	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:

	<u>For the Year Ended December 31</u>	
	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:

	<u>For the Year Ended December 31</u>	
	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:

	<u>For the Year Ended December 31</u>	
	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	-	(87,399)	(87,399)
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	-	42,307	42,307
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

	<u>For the Year Ended December 31</u>	
	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:

	<u>For the Year Ended December 31</u>	
	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:

	<u>For the Year Ended December 31</u>	
	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:

	<u>For the Year Ended December 31</u>	
	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			
	Opening Balance	Recognized in		Closing Balance
		Profit or Loss	Other Comprehensive Income (Loss)	
<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			
	Opening Balance	Recognized in		Closing Balance
		Profit or Loss	Other Comprehensive Income (Loss)	
<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)	<u>\$ 8,256,167</u>	<u>\$(3,431,905)</u>	<u>\$ 2,929,291</u>	<u>\$ (221,340)</u>	<u>\$ 7,532,213</u>

26. CAPITAL MANAGEMENT

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

27. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	December 31	
	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>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (including current and non-current portions) (Note 2)	<u>\$ 89,639,619</u>	<u>\$ 91,770,797</u>

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

Note 2: The balances comprise long-term and short-term borrowings, commercial papers payable, notes and accounts payable, other payables, other financial liabilities (classified as other current liabilities), bonds payable and guarantee deposits, which were financial liabilities 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	<u>-</u>	<u>-</u>	<u>249,827</u>	<u>249,827</u>
	<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

<u>Related Party</u>	<u>Nature of Relationship</u>
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)

<u>Related Party</u>	<u>Nature of Relationship</u>
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

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
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

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
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	\$ 620,624	\$ 440,543

7) Acquisition of subsidiary

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

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	<u>\$ 2,724,280</u>	<u>\$ 7,625,904</u>
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 EastTone 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.

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.

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.

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)

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.

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	

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	
			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	
			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	-	-	
			Channel leasing fee	490,628	14	Based on contract terms	Note 1	Note 1	-	-	
			Channel leasing fee	216,618	6	Based on contract terms	Note 1	Note 1	-	-	
			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	
			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.

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.

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 Songshan 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)

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	8,615	-	-	(6,000)	(8,497)	(118)	-	-	-	-
		<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	(2)	(12,948)	-	-	(12,950)
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	-	(113)	-	-	(113)
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.