

**Taiwan Mobile Co., Ltd.**

**Financial Statements for the  
Years Ended December 31, 2022 and 2021 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, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of 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, 2022. 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 2022 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 Standards on Auditing of 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 Standards on Auditing of 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, 2022 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 24, 2023

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, 2022		December 31, 2021		LIABILITIES AND EQUITY	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 6 and 28)	\$ 2,177,458	1	\$ 1,626,196	1	Short-term borrowings (Notes 16 and 28)	\$ 32,305,000	19	\$ 30,331,000	18
Financial assets at fair value through other comprehensive income (Note 7)	245,607	-	253,214	-	Short-term notes and bills payable (Note 16)	3,092,395	2	4,597,793	3
Contract assets (Note 21)	5,086,808	3	4,661,996	3	Contract liabilities (Note 21)	1,118,225	1	1,066,995	1
Notes and accounts receivable, net (Note 8)	6,073,211	4	5,631,531	3	Accounts payable	1,922,613	1	1,894,432	1
Accounts receivable due from related parties (Note 28)	527,294	-	470,309	-	Accounts payable due to related parties (Note 28)	287,947	-	294,026	-
Other receivables (Note 28)	1,357,557	1	1,184,943	1	Other payables (Note 28)	7,595,865	4	8,060,985	5
Inventories (Note 9)	3,616,363	2	2,704,625	2	Current tax liabilities	904,881	1	931,555	-
Prepayments	281,205	-	239,071	-	Provisions (Note 18)	30,473	-	35,997	-
Other financial assets (Notes 28 and 29)	31,351	-	28,105	-	Lease liabilities (Notes 12, 25 and 28)	3,018,613	2	2,937,829	2
Other current assets	393	-	109	-	Long-term liabilities, current portion (Notes 16 and 17)	9,499,226	5	-	-
Total current assets	<u>19,397,247</u>	<u>11</u>	<u>16,800,099</u>	<u>10</u>	Other current liabilities (Note 28)	<u>2,361,856</u>	<u>1</u>	<u>2,133,401</u>	<u>1</u>
					Total current liabilities	<u>62,137,094</u>	<u>36</u>	<u>52,284,013</u>	<u>31</u>
<b>NON-CURRENT ASSETS</b>					<b>NON-CURRENT LIABILITIES</b>				
Financial assets at fair value through other comprehensive income (Note 7)	1,915,424	1	1,924,203	1	Contract liabilities (Note 21)	60,255	-	60,699	-
Contract assets (Note 21)	5,390,182	3	5,196,115	3	Bonds payable (Note 17)	31,481,943	18	37,475,497	22
Investments accounted for using equity method (Notes 10 and 28)	49,249,451	29	45,950,409	27	Long-term borrowings (Note 16)	4,496,902	3	6,497,809	4
Property, plant and equipment (Note 11)	24,806,240	15	25,967,927	15	Provisions (Note 18)	511,229	-	517,815	-
Right-of-use assets (Notes 12 and 28)	7,968,994	5	7,327,028	5	Deferred tax liabilities (Note 23)	783,982	1	703,734	-
Investment properties (Note 13)	2,922,844	2	2,789,846	2	Lease liabilities (Notes 12, 25 and 28)	4,977,758	3	4,406,338	3
Concessions (Note 14)	49,744,226	29	53,880,810	32	Net defined benefit liabilities (Note 19)	76,985	-	296,667	-
Goodwill (Note 14)	7,121,871	4	7,121,871	4	Guarantee deposits	431,651	-	402,551	-
Other intangible assets (Note 14)	248,785	-	232,048	-	Other non-current liabilities	<u>2,146,910</u>	<u>1</u>	<u>1,803,684</u>	<u>1</u>
Deferred tax assets (Note 23)	346,131	-	435,187	-	Total non-current liabilities	<u>44,967,615</u>	<u>26</u>	<u>52,164,794</u>	<u>30</u>
Incremental costs of obtaining a contract (Note 21)	1,793,461	1	1,710,107	1	Total liabilities	<u>107,104,709</u>	<u>62</u>	<u>104,448,807</u>	<u>61</u>
Other non-current assets (Notes 15, 28 and 29)	670,609	-	646,910	-	<b>EQUITY (Note 20)</b>				
Total non-current assets	<u>152,178,218</u>	<u>89</u>	<u>153,182,461</u>	<u>90</u>	Common stock	35,192,336	21	35,135,201	21
					Capital collected in advance	-	-	57,135	-
					Capital surplus	15,326,778	9	16,903,239	10
					Retained earnings				
					Legal reserve	32,603,345	19	31,500,472	19
					Special reserve	1,823,415	1	2,449,739	1
					Unappropriated earnings	8,954,012	5	11,028,726	6
					Other equity interests	288,214	-	(1,823,415)	(1)
					Treasury stock	<u>(29,717,344)</u>	<u>(17)</u>	<u>(29,717,344)</u>	<u>(17)</u>
					Total equity	<u>64,470,756</u>	<u>38</u>	<u>65,533,753</u>	<u>39</u>
<b>TOTAL</b>	<u>\$ 171,575,465</u>	<u>100</u>	<u>\$ 169,982,560</u>	<u>100</u>	<b>TOTAL</b>	<u>\$ 171,575,465</u>	<u>100</u>	<u>\$ 169,982,560</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, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 21 and 28)	\$ 61,027,806	100	\$ 59,844,804	100
OPERATING COSTS (Notes 9, 28 and 32)	<u>46,231,648</u>	<u>76</u>	<u>44,797,460</u>	<u>75</u>
GROSS PROFIT FROM OPERATIONS, NET	<u>14,796,158</u>	<u>24</u>	<u>15,047,344</u>	<u>25</u>
OPERATING EXPENSES (Notes 28 and 32)				
Marketing	6,568,252	11	6,666,554	11
Administrative	2,798,333	5	2,889,750	5
Research and development	149,108	-	31,904	-
Expected credit loss	<u>255,814</u>	<u>-</u>	<u>224,288</u>	<u>-</u>
Total operating expenses	<u>9,771,507</u>	<u>16</u>	<u>9,812,496</u>	<u>16</u>
OTHER INCOME AND EXPENSES, NET (Note 28)	<u>612,089</u>	<u>1</u>	<u>585,942</u>	<u>1</u>
OPERATING INCOME	<u>5,636,740</u>	<u>9</u>	<u>5,820,790</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	22,032	-	5,929	-
Other income	36,864	-	12,900	-
Other gains and losses, net (Note 22)	(246,898)	-	(15,325)	-
Finance costs (Notes 22 and 28)	(755,256)	(1)	(646,976)	(1)
Share of profit of subsidiaries and associates accounted for using equity method (Note 10)	<u>7,239,387</u>	<u>12</u>	<u>6,493,099</u>	<u>11</u>
Total non-operating income and expenses	<u>6,296,129</u>	<u>11</u>	<u>5,849,627</u>	<u>10</u>
PROFIT BEFORE TAX	11,932,869	20	11,670,417	20
INCOME TAX EXPENSE (Note 23)	<u>907,318</u>	<u>2</u>	<u>682,252</u>	<u>2</u>
NET PROFIT	<u>11,025,551</u>	<u>18</u>	<u>10,988,165</u>	<u>18</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	162,294	-	7,213	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	175,367	-	135,246	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	(311,300)	-	544,692	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>16,432</u>	<u>-</u>	<u>(12,615)</u>	<u>-</u>
Other comprehensive income (after tax)	<u>42,793</u>	<u>-</u>	<u>674,536</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 11,068,344</u>	<u>18</u>	<u>\$ 11,662,701</u>	<u>19</u>
EARNINGS PER SHARE (Note 24)				
Basic earnings per share	<u>\$ 3.91</u>		<u>\$ 3.90</u>	
Diluted earnings per share	<u>\$ 3.90</u>		<u>\$ 3.89</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, 2022 AND 2021  
(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, 2021	\$ 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	35,135,201	57,135	16,903,239	31,500,472	2,449,739	11,028,726	(44,294)	(1,779,121)	(29,717,344)	65,533,753
Distribution of 2021 earnings										
Legal reserve	-	-	-	1,102,873	-	(1,102,873)	-	-	-	-
Reversal of special reserve	-	-	-	-	(626,324)	626,324	-	-	-	-
Cash dividends	-	-	-	-	-	(10,551,987)	-	-	-	(10,551,987)
Total distribution of earnings	-	-	-	1,102,873	(626,324)	(11,028,536)	-	-	-	(10,551,987)
Cash dividends from capital surplus	-	-	(1,576,086)	-	-	-	-	-	-	(1,576,086)
Profit for the year ended December 31, 2022	-	-	-	-	-	11,025,551	-	-	-	11,025,551
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	258,116	16,432	(231,755)	-	42,793
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	11,283,667	16,432	(231,755)	-	11,068,344
Conversion of convertible bonds to common stock	57,135	(57,135)	-	-	-	-	-	-	-	-
Transfer and disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(2,326,952)	-	2,326,952	-	-
Difference between consideration and carrying amount of subsidiaries acquired	-	-	-	-	-	(2,140)	-	-	-	(2,140)
Changes in equity of associates accounted for using equity method	-	-	-	-	-	(753)	-	-	-	(753)
Changes in equity associated with non-current assets held for sale	-	-	(2,223)	-	-	-	-	-	-	(2,223)
Other changes in capital surplus	-	-	1,848	-	-	-	-	-	-	1,848
BALANCE, DECEMBER 31, 2022	\$ 35,192,336	\$ -	\$ 15,326,778	\$ 32,603,345	\$ 1,823,415	\$ 8,954,012	\$ (27,862)	\$ 316,076	\$ (29,717,344)	\$ 64,470,756

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 11,932,869	\$ 11,670,417
Adjustments for:		
Share of profit of subsidiaries and associates accounted for using equity method	(7,239,387)	(6,493,099)
Depreciation expense	9,382,810	9,243,700
Amortization expense	4,348,013	4,355,353
Amortization of incremental costs of obtaining a contract	1,200,756	1,302,825
Loss on disposal and retirement of property, plant and equipment, net	222,543	24,041
Gain on disposal of property, plant and equipment held for sale	(1,014)	-
Gain on disposal of investments accounted for using equity method	-	(29)
Expected credit loss	255,814	224,288
Other income and expenses	(462,936)	(217,817)
Finance costs	755,256	646,976
Interest income	(22,032)	(5,929)
Dividend income	(10,016)	(9,359)
Others	(3,320)	(2,283)
Changes in operating assets and liabilities		
Contract assets	(624,185)	(1,508,966)
Notes and accounts receivable	(696,114)	(588,351)
Accounts receivable due from related parties	(56,985)	17,061
Other receivables	(209,506)	(11,196)
Inventories	(911,738)	(336,609)
Prepayments	(55,569)	23,333
Other current assets	(284)	(75)
Other financial assets	(3,246)	8,409
Incremental costs of obtaining a contract	(1,284,110)	(1,341,309)
Contract liabilities	50,786	(64,091)
Accounts payable	28,181	72,260
Accounts payable due to related parties	(6,079)	79,255
Other payables	(92,297)	431,357
Provisions	(30,706)	(134,544)
Other current liabilities	228,455	(9,593)
Net defined benefit liabilities	(16,815)	(17,023)
Cash inflows generated from operating activities	16,679,144	17,359,002
Interest received	2,542	1,160
Interest paid	(275)	(275)
Income taxes paid	(909,884)	(908,227)
Net cash generated from operating activities	<u>15,771,527</u>	<u>16,451,660</u>

(Continued)

# TAIWAN MOBILE CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	\$ (5,517,350)	\$ (7,757,835)
Acquisition of right-of-use assets	(25,108)	(30,197)
Acquisition of intangible assets	(145,231)	(153,295)
Increase in prepayments for equipment	(75,539)	(122,603)
Proceeds from disposal of property, plant and equipment	295	127,380
Proceeds from disposal of property, plant and equipment held for sale	2,715	-
Proceeds from disposal of intangible assets	10,000	12,800
Cash outflow on acquisition of subsidiaries	(2,130,000)	(570,000)
Acquisition of financial assets at fair value through other comprehensive income	(375,000)	-
Transfer of financial assets at fair value through other comprehensive income	671,375	-
Disposal of investments accounted for using equity method	667	7,830
Other investing activities	822,538	2,140,688
Increase in refundable deposits	(148,123)	(152,556)
Decrease in refundable deposits	133,128	132,812
Interest received	16,713	1,657
Dividends received from subsidiaries	5,770,361	7,137,500
Other dividends received	<u>10,016</u>	<u>9,359</u>
Net cash generated from (used in) investing activities	<u>(978,543)</u>	<u>783,540</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	500,000	9,000,000
Borrowings from related parties	15,791,000	15,496,000
Repayments of borrowings from related parties	(14,317,000)	(16,435,000)
Decrease in short-term notes and bills payable	(1,508,125)	(9,591,635)
Proceeds from issue of bonds	-	2,496,465
Repayments of bonds	-	(10,700)
Proceeds from long-term borrowings	4,499,798	-
Repayment of long-term borrowings	(3,002,712)	(2,007,757)
Repayment of the principal portion of lease liabilities	(3,386,907)	(3,394,255)
Increase in guarantee deposits received	93,587	82,292
Decrease in guarantee deposits received	(66,229)	(52,050)
Cash dividends paid	(12,128,013)	(12,098,704)
Interest paid	<u>(717,121)</u>	<u>(635,839)</u>
Net cash used in financing activities	<u>(14,241,722)</u>	<u>(17,151,183)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	551,262	84,017
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>1,626,196</u>	<u>1,542,179</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 2,177,458</u>	<u>\$ 1,626,196</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, 2022 AND 2021

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

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#### 1. ORGANIZATION AND OPERATIONS

Taiwan Mobile Co., Ltd. (TWM) was incorporated in Taiwan, the Republic of China (ROC) on February 25, 1997. TWM's stock was listed on the ROC Over-the-Counter 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 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 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 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 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 24, 2023.

#### 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 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

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

Note 2: 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 3: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, TWM had assessed that the application of above standards and interpretations would not have a material impact on TWM's financial position and financial performance.

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

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

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

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

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

- a. Basis of measurement

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

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

b. Functional and presentation currency

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

### **Foreign Currencies**

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

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

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

When preparing the financial statements, the assets and liabilities of foreign operations are translated to NTD using the exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated at the average exchange rate for the period. Exchange differences are recognized in other comprehensive income.

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

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

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

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

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

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

## **Financial Instruments**

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (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 fair value through other comprehensive income (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 from the synergies of the combination. If the recoverable amount of the cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

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

At the end of each reporting period, 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 telecommunications equipment and leasehold improvements 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 remeasurement) 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. Remeasurement (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. Timing of 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 and contract assets

The provision for impairment of notes and accounts receivable and contract assets 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. 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>	
	<u>2022</u>	<u>2021</u>
Cash on hand and revolving funds	\$ 80,905	\$ 111,334
Cash in banks	<u>2,096,553</u>	<u>1,514,862</u>
	<u>\$ 2,177,458</u>	<u>\$ 1,626,196</u>

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Investments in equity instruments - current</u>		
Domestic investments		
Listed stocks	<u>\$ 245,607</u>	<u>\$ 253,214</u>
<u>Investments in equity instruments - non-current</u>		
Domestic investments		
Listed stocks	\$ -	\$ 798,745
Unlisted stocks	674,999	408,139
Foreign investments		
Unlisted stocks	30,137	27,672
Limited partnerships	<u>1,210,288</u>	<u>689,647</u>
	<u>\$ 1,915,424</u>	<u>\$ 1,924,203</u>

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

Regarding to the merger between Far Eastone Telecommunications Co., Ltd. (FET) and Asia Pacific Telecom Co., Ltd. (APT), TWM exercised the dissenting shareholder's appraisal right to request APT to buy back TWM's shares in accordance with the Business Mergers And Acquisitions Act, and had deposited all of the held shares to APT in the second quarter of 2022. The related valuation of loss of \$2,308,625 thousand was transferred from other equity to retained earnings. In July 2022, APT had paid the fair price it has recognized of \$671,375 thousand to TWM in accordance with the Business Mergers And Acquisitions Act. However, TWM disagreed with such the fair price recognized by APT, and therefore, APT applied to the court for a ruling on the fair price. The case is now progressing at the Intellectual Property and Commercial Court.

## 8. NOTES AND ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Notes receivable	\$ 226	\$ 166
Accounts receivable	6,452,753	5,955,414
Less: Allowance for impairment loss	<u>(379,768)</u>	<u>(324,049)</u>
	<u>\$ 6,073,211</u>	<u>\$ 5,631,531</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 change rates of consumer price index and economic leading indicators. 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 is evidence 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, 2022

	<u>Not Past Due</u>	<u>Overdue</u>			<u>Total</u>
		<u>1 to 120 Days</u>	<u>121 to 365 Days</u>	<u>Over 365 Days</u>	
Gross carrying amount	\$ 5,711,122	\$ 562,562	\$ 179,295	\$ -	\$ 6,452,979
Loss allowance (Lifetime ECLs)	<u>(53,144)</u>	<u>(156,482)</u>	<u>(170,142)</u>	<u>-</u>	<u>(379,768)</u>
Amortized cost	<u>\$ 5,657,978</u>	<u>\$ 406,080</u>	<u>\$ 9,153</u>	<u>\$ -</u>	<u>\$ 6,073,211</u>

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>

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>	
	2022	2021
Beginning balance	\$ 324,049	\$ 287,106
Add: Provision	250,505	211,460
Recovery	43,969	40,496
Less: Write-off	<u>(238,755)</u>	<u>(215,013)</u>
Ending balance	<u>\$ 379,768</u>	<u>\$ 324,049</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>	
	2022	2021
Amount of accounts receivable sold	<u>\$ 608,099</u>	<u>\$ 716,557</u>
Proceeds from the sale of accounts receivable	<u>\$ 60,077</u>	<u>\$ 58,033</u>

## 9. INVENTORIES

	<u>December 31</u>	
	2022	2021
Merchandise	\$ 3,605,049	\$ 2,696,008
Materials for maintenance	<u>11,314</u>	<u>8,617</u>
	<u>\$ 3,616,363</u>	<u>\$ 2,704,625</u>

For the years ended December 31, 2022 and 2021, the cost of goods sold related to inventories amounted to \$20,472,303 thousand and \$20,350,441 thousand, respectively, which included the inventory write-down totaling \$38,672 thousand, and the reversal of inventory write-down totaling \$34,028 thousand, respectively.

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Subsidiaries	\$ 49,004,706	\$ 45,679,412
Associates		
AppWorks Ventures Co., Ltd. (AppWorks)	<u>244,745</u>	<u>270,997</u>
	<u>\$ 49,249,451</u>	<u>\$ 45,950,409</u>

### a. Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2022.

### b. Associates

Aggregate information of associates that were not individually material:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
TWM's share of:		
Profit (loss)	\$ (10,213)	\$ 3,337
Other comprehensive income (loss)	<u>(16,039)</u>	<u>2,016</u>
Comprehensive income (loss)	<u>\$ (26,252)</u>	<u>\$ 5,353</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) Alliance Digital Tech Co., Ltd. (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. TWM received the liquidation capital returns of \$7,830 thousand and \$667 thousand for the years ended December 31, 2021 and 2022, respectively.

## 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, 2022	\$ 3,380,757	\$ 2,066,502	\$ 81,085,703	\$ 5,355,422	\$ 647,328	\$ 92,535,712
Additions	-	-	16,830	174,282	4,961,677	5,152,789
Disposals and retirements	-	-	(1,512,503)	(1,350,136)	(382)	(2,863,021)
Reclassification	<u>(123,643)</u>	<u>(52,241)</u>	<u>3,957,760</u>	<u>45,396</u>	<u>(4,003,156)</u>	<u>(175,884)</u>
Balance, December 31, 2022	<u>\$ 3,257,114</u>	<u>\$ 2,014,261</u>	<u>\$ 83,547,790</u>	<u>\$ 4,224,964</u>	<u>\$ 1,605,467</u>	<u>\$ 94,649,596</u>
<u>Accumulated depreciation and impairment</u>						
Balance, January 1, 2022	\$ -	\$ 999,274	\$ 60,839,515	\$ 4,728,996	\$ -	\$ 66,567,785
Depreciation	-	37,944	5,613,646	285,186	-	5,936,776
Disposals and retirements	-	-	(1,292,071)	(1,348,112)	-	(2,640,183)
Reclassification	<u>-</u>	<u>(21,022)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,022)</u>
Balance, December 31, 2022	<u>\$ -</u>	<u>\$ 1,016,196</u>	<u>\$ 65,161,090</u>	<u>\$ 3,666,070</u>	<u>\$ -</u>	<u>\$ 69,843,356</u>
Carrying amount, December 31, 2022	<u>\$ 3,257,114</u>	<u>\$ 998,065</u>	<u>\$ 18,386,700</u>	<u>\$ 558,894</u>	<u>\$ 1,605,467</u>	<u>\$ 24,806,240</u>
<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	<u>10,215</u>	<u>2,373</u>	<u>7,403,656</u>	<u>12,871</u>	<u>(7,416,527)</u>	<u>12,588</u>
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	<u>-</u>	<u>(5,442)</u>	<u>21</u>	<u>(21)</u>	<u>-</u>	<u>(5,442)</u>
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>

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	2-15 years

## 12. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Land	\$ 609,210	\$ 490,448
Buildings	7,079,502	6,468,835
Telecommunications equipment and machinery	210,044	274,127
Others	<u>70,238</u>	<u>93,618</u>
	<u>\$ 7,968,994</u>	<u>\$ 7,327,028</u>
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	<u>\$ 4,304,657</u>	<u>\$ 3,491,135</u>
Depreciation charge for right-of-use assets		
Land	\$ 235,148	\$ 227,863
Buildings	3,065,596	3,063,044
Telecommunications equipment and machinery	87,059	86,152
Others	<u>38,068</u>	<u>39,497</u>
	<u>\$ 3,425,871</u>	<u>\$ 3,416,556</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, 2022 and 2021.

### b. Lease liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Current	<u>\$ 3,018,613</u>	<u>\$ 2,937,829</u>
Non-current	<u>\$ 4,977,758</u>	<u>\$ 4,406,338</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Land	0.61%-1%	0.61%-1%
Buildings	0.61%-1%	0.61%-1%
Telecommunications equipment and machinery	0.79%-1%	0.79%-1%
Others	0.62%-0.86%	0.62%-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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses related to short-term leases	<u>\$ 10,341</u>	<u>\$ 8,551</u>
Expenses related to low-value asset leases	<u>\$ 71,076</u>	<u>\$ 62,437</u>
Expenses related to variable lease payments and not included in the measurement of lease liabilities	<u>\$ 3,217</u>	<u>\$ 2,991</u>
Total cash outflow for leases	<u>\$ 3,555,516</u>	<u>\$ 3,557,609</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, 2022 and 2021, the fair values of investment properties were \$7,390,645 thousand and \$6,944,511 thousand, respectively, and the capitalization rates for the aforementioned financial reporting periods were ranging from 1.43%-5.11% and 1.37%-5.23%, respectively.

The amounts of depreciation recognized for the years ended December 31, 2022 and 2021 were \$20,163 thousand and \$20,259 thousand, respectively.

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Year 1	\$ 107,172	\$ 154,582
Year 2	45,865	92,986
Year 3	38,677	33,889
Year 4	25,168	26,975
Year 5	9,131	13,711
Year 6 and thereafter	<u>34,137</u>	<u>-</u>
	<u>\$ 260,150</u>	<u>\$ 322,143</u>



## 14. INTANGIBLE ASSETS

	Concession Licenses	Goodwill	Other Intangible Assets		Total
			Computer Software	Copyrights	
<u>Cost</u>					
Balance, January 1, 2022	\$ 71,699,375	\$ 7,121,871	\$ 2,555,853	\$ 122,681	\$ 81,499,780
Additions	-	-	141,035	5,022	146,057
Disposals and retirements	-	-	(60,383)	-	(60,383)
Reclassification	-	-	23,446	58,663	82,109
Balance, December 31, 2022	<u>\$ 71,699,375</u>	<u>\$ 7,121,871</u>	<u>\$ 2,659,951</u>	<u>\$ 186,366</u>	<u>\$ 81,667,563</u>
<u>Accumulated amortization and impairment</u>					
Balance, January 1, 2022	\$ 17,818,565	\$ -	\$ 2,362,468	\$ 84,018	\$ 20,265,051
Amortization	4,136,584	-	165,367	46,062	4,348,013
Disposals and retirements	-	-	(60,383)	-	(60,383)
Balance, December 31, 2022	<u>\$ 21,955,149</u>	<u>\$ -</u>	<u>\$ 2,467,452</u>	<u>\$ 130,080</u>	<u>\$ 24,552,681</u>
Carrying amount, December 31, 2022	<u>\$ 49,744,226</u>	<u>\$ 7,121,871</u>	<u>\$ 192,499</u>	<u>\$ 56,286</u>	<u>\$ 57,114,882</u>
<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>

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”, TWMM 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, 2022 and 2021, the discount rates used to calculate the recoverable amount for the asset's cash-generating unit were 5.79% and 6.01%, respectively.

Based on the key assumptions of the cash-generating unit, TWM's management believes that the carrying amounts of these operating assets and intangible assets will not exceed their recoverable amounts even if there are any reasonable changes in the critical assumptions used to estimate recoverable amounts. For the years ended December 31, 2022 and 2021, impairment losses on assets did not occur.

**15. OTHER NON-CURRENT ASSETS**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Long-term accounts receivable	\$ 11,848	\$ 6,401
Refundable deposits	444,080	428,669
Other prepayments	211,542	209,569
Others	<u>3,139</u>	<u>2,271</u>
	<u>\$ 670,609</u>	<u>\$ 646,910</u>

## 16. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Unsecured loans - financing institution	\$ 19,300,000	\$ 18,800,000
Unsecured loans - related parties	<u>13,005,000</u>	<u>11,531,000</u>
	<u>\$ 32,305,000</u>	<u>\$ 30,331,000</u>
Annual interest rates - financing institution	1.53%-1.65%	0.55%-0.87%
Annual interest rates - related parties	0.87%- 1.70378%	0.86856%- 0.86989%

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

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term notes and bills payable	\$ 3,100,000	\$ 4,600,000
Less: Discounts on short-term notes and bills payable	<u>(7,605)</u>	<u>(2,207)</u>
	<u>\$ 3,092,395</u>	<u>\$ 4,597,793</u>
Annual interest rates	1.658%	0.398%-0.458%

### c. Long-term borrowings

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Commercial papers payable	\$ 8,000,000	\$ 6,500,000
Less: Discounts on commercial papers payable	3,503	2,191
Less: Current portion	<u>(3,499,595)</u>	<u>-</u>
	<u>\$ 4,496,902</u>	<u>\$ 6,497,809</u>
Annual interest rates - commercial papers payable	0.688%-1.81%	0.687%-0.697%

#### 1) Commercial papers payable

TWM's commercial papers payable are treated as revolving credit facilities under the contracts. The last repayment dates of the commercial papers payable are no later than June 2025.

#### 2) 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.

## 17. BONDS PAYABLE

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
5th domestic unsecured straight corporate bonds	\$ 14,996,589	\$ 14,994,030
6th domestic unsecured straight corporate bonds	19,987,778	19,984,764
7th domestic unsecured straight corporate bonds	2,497,207	2,496,703
Less: Current portion	<u>(5,999,631)</u>	<u>-</u>
	<u>\$ 31,481,943</u>	<u>\$ 37,475,497</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, 2022, the amount of unamortized bond issue cost was \$3,411 thousand. The trustee of bond holders is Bank of Taiwan.

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

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

### 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, 2022, the amount of unamortized bond issue cost was \$12,222 thousand. The trustee of bond holders is Bank of Taiwan.

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

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

c. 7th domestic unsecured straight corporate bonds

On July 13, 2021, 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, 2022, the amount of unamortized bond issue cost was \$2,793 thousand. The trustee of bond holders is Bank of Taiwan.

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

<b>Year</b>	<b>Amount</b>
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	245,053
Convertible bonds converted into common stock	(9,786,958)
Repayment of the convertible bonds	<u>(10,700)</u>
Liability component on December 31, 2021	<u>\$ _____ -</u>

The above-mentioned convertible bonds were due on November 22, 2021. As of the maturity date, the bondholders had requested to convert the bonds at face values of \$9,989,300 thousand. The repayment of \$10,700 thousand had been made on December 6, 2021.

## 18. PROVISIONS

	<b>December 31</b>		
	<b>2022</b>	<b>2021</b>	
Restoration	\$ 525,368	\$ 530,038	
Warranties	<u>16,334</u>	<u>23,774</u>	
	<u>\$ 541,702</u>	<u>\$ 553,812</u>	
Current	\$ 30,473	\$ 35,997	
Non-current	<u>511,229</u>	<u>517,815</u>	
	<u>\$ 541,702</u>	<u>\$ 553,812</u>	
	<b>Restoration</b>	<b>Warranties</b>	<b>Total</b>
Balance, January 1, 2022	\$ 530,038	\$ 23,774	\$ 553,812
Provision	18,024	25,132	43,156
Payment/Reversal	(23,284)	(32,572)	(55,856)
Unwinding of discount	<u>590</u>	<u>-</u>	<u>590</u>
Balance, December 31, 2022	<u>\$ 525,368</u>	<u>\$ 16,334</u>	<u>\$ 541,702</u>
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>

## 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, an entity 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 \$164,292 thousand and \$162,348 thousand for the years ended December 31, 2022 and 2021, 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 provides 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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Present value of defined benefit obligations	\$ 780,116	\$ 943,090
Fair value of plan assets	<u>(703,131)</u>	<u>(646,423)</u>
Net defined benefit liabilities	<u>\$ 76,985</u>	<u>\$ 296,667</u>

The movements in present value of defined benefit obligations for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance, January 1	\$ 943,090	\$ 949,836
Current service costs	1,491	1,486
Interest costs	4,716	4,749
Actuarial loss (gain) - changes in demographic assumptions	(258)	37,994
Actuarial gain - changes in financial assumptions	(141,078)	(27,332)
Actuarial gain - experience adjustments	(10,344)	(11,677)
Benefits paid from plan assets	<u>(17,501)</u>	<u>(11,966)</u>
Balance, December 31	<u>\$ 780,116</u>	<u>\$ 943,090</u>

The movements in the fair value of the plan assets for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance, January 1	\$ 646,423	\$ 627,129
Net interest income	3,283	3,188
Return on plan assets (excluding amounts included in net interest)	51,187	8,002
Contributions from the employer	19,739	20,070
Benefits paid from plan assets	<u>(17,501)</u>	<u>(11,966)</u>
Balance, December 31	<u>\$ 703,131</u>	<u>\$ 646,423</u>

The expenses recognized in profit or loss for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current service costs	\$ 1,491	\$ 1,486
Interest costs	4,716	4,749
Net interest income	<u>(3,283)</u>	<u>(3,188)</u>
	<u>\$ 2,924</u>	<u>\$ 3,047</u>

The pre-tax remeasurements recognized in other comprehensive income (loss) for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Return on plan assets (excluding amounts included in net interest)	\$ (51,187)	\$ (8,002)
Actuarial loss (gain) - changes in demographic assumptions	(258)	37,994
Actuarial gain - changes in financial assumptions	(141,078)	(27,332)
Actuarial gain - experience adjustments	<u>(10,344)</u>	<u>(11,677)</u>
	<u>\$ (202,867)</u>	<u>\$ (9,017)</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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate	1.5%	0.5%
Long-term average adjustment rate of salary	2%	2.5%

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate		
0.25% increase	<u>\$ (20,939)</u>	<u>\$ (28,063)</u>
0.25% decrease	<u>\$ 21,701</u>	<u>\$ 29,164</u>
Long-term average adjustment rate of salary		
0.25% increase	<u>\$ 21,212</u>	<u>\$ 28,108</u>
0.25% decrease	<u>\$ (20,572)</u>	<u>\$ (27,200)</u>



The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
The expected contributions to the Plans for the following year	<u>\$ 19,988</u>	<u>\$ 20,387</u>
The average duration of the defined benefit obligation	10.9 years	12.1 years

## 20. EQUITY

### a. Share capital

As of December 31, 2022 and 2021, TWM's authorized capital was \$60,000,000 thousand and capital issued and outstanding were \$35,192,336 thousand and \$35,135,201 thousand, respectively, divided into 3,519,234 thousand shares and 3,513,520 thousand shares, respectively, which were all common stocks, at a par value of \$10 each.

As of December 31, 2021, the bondholders of the 3rd domestic unsecured convertible bonds had requested to convert the bonds into 98,401 thousand common stocks, and the amounts recognized as capital collected in advance were \$57,135 thousand. The unsecured convertible bonds were due on November 22, 2021. TWM had completed the related corporate registration procedures for the conversion.

### b. Capital surplus

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Additional paid-in capital from convertible corporate bonds	\$ 9,531,369	\$ 11,107,455
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	8,605	10,828
Expired share options	13,269	13,269
Others	<u>26,651</u>	<u>24,803</u>
	<u>\$ 15,326,778</u>	<u>\$ 16,903,239</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 Company's Articles of Incorporation, 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 FVTOCI.

The appropriations of earnings for 2021 and 2020, which have been resolved in the AGM on June 23, 2022 and August 20, 2021, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For Fiscal Year 2021</b>	<b>For Fiscal Year 2020</b>
Legal reserve	\$ 1,102,873	\$ 1,330,074
Special reserve	(626,324)	2,449,739
Cash dividends	10,551,987	9,521,178
Cash dividends per share (NT\$)	3.7412	3.38353

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 \$1,576,086 thousand and \$2,577,603 thousand and representing \$0.5588 and \$0.916 per share, were also resolved in the AGM; thus, total distributions were \$4.3 and \$4.29953 per share, respectively, for 2021 and 2020.

TWM's 2022 earnings appropriations will be proposed by the Board of Directors and approved in the AGM. Information on earnings appropriations is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity interests

	<b>Exchange Differences on Translation</b>	<b>Unrealized Gain (Loss) on Financial Assets at FVTOCI</b>	<b>Total</b>
Balance, January 1, 2022	\$ (44,294)	\$ (1,779,121)	\$ (1,823,415)
Changes in fair value of financial assets at FVTOCI	-	279,989	279,989
Changes in other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	16,432	(407,122)	(390,690)
Valuation loss of equity instruments transferred to retained earnings	-	2,308,625	2,308,625
Valuation loss of equity instruments transferred to retained earnings due to disposal by subsidiaries and associates	-	18,327	18,327
Income tax effect	-	<u>(104,622)</u>	<u>(104,622)</u>
Balance, December 31, 2022	<u>\$ (27,862)</u>	<u>\$ 316,076</u>	<u>\$ 288,214</u>
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
Valuation 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 disposal of investments accounted for using equity method	-	(22,885)	(22,885)
Other comprehensive loss transferred to retained earnings due to the decrease of percentage of ownership interest in the investments accounted for using equity method	-	849	849
Income tax effect	-	<u>(87,399)</u>	<u>(87,399)</u>
Balance, December 31, 2021	<u>\$ (44,294)</u>	<u>\$ (1,779,121)</u>	<u>\$ (1,823,415)</u>

e. Treasury stock

As of December 31, 2022 and 2021, 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 \$66,171,777 thousand and \$69,875,160 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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Revenue from contracts with customers		
Telecommunications and value-added services	\$ 42,144,071	\$ 41,083,469
Sales revenue	18,710,201	18,595,512
Other operating revenue	<u>173,534</u>	<u>165,823</u>
	<u>\$ 61,027,806</u>	<u>\$ 59,844,804</u>

a. Contract information

Please refer to Note 4.

b. Contract balances

	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>January 1, 2021</b>
Contract assets			
Bundle sales	\$ 10,566,808	\$ 9,942,623	\$ 8,433,657
Less: Allowance for impairment loss	<u>(89,818)</u>	<u>(84,512)</u>	<u>(71,686)</u>
	<u>\$ 10,476,990</u>	<u>\$ 9,858,111</u>	<u>\$ 8,361,971</u>
Current	\$ 5,086,808	\$ 4,661,996	\$ 4,612,234
Non-current	<u>5,390,182</u>	<u>5,196,115</u>	<u>3,749,737</u>
	<u>\$ 10,476,990</u>	<u>\$ 9,858,111</u>	<u>\$ 8,361,971</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, 2022 and 2021, the expected credit loss rates were both 0.85%.

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 84,512	\$ 71,686
Provision	<u>5,306</u>	<u>12,826</u>
Ending balance	<u>\$ 89,818</u>	<u>\$ 84,512</u>

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities			
Telecommunications and value-added services	\$ 1,171,071	\$ 1,115,029	\$ 1,182,830
Sales of goods	<u>7,409</u>	<u>12,665</u>	<u>8,955</u>
	<u>\$ 1,178,480</u>	<u>\$ 1,127,694</u>	<u>\$ 1,191,785</u>
Current	\$ 1,118,225	\$ 1,066,995	\$ 1,133,438
Non-current	<u>60,255</u>	<u>60,699</u>	<u>58,347</u>
	<u>\$ 1,178,480</u>	<u>\$ 1,127,694</u>	<u>\$ 1,191,785</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>	
	2022	2021
Contract assets		
Transfers of beginning balance to receivables	\$ 4,551,949	\$ 4,663,812

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>	
	2022	2021
Contract liabilities		
Telecommunications and value-added services	\$ 1,033,703	\$ 1,092,603
Sales of goods	<u>10,741</u>	<u>7,161</u>
	<u>\$ 1,044,444</u>	<u>\$ 1,099,764</u>

c. Partially completed contracts

As of December 31, 2022, 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 2023	In 2024	After 2025	Total
Telecommunications and value-added services	<u>\$ 24,948,393</u>	<u>\$ 12,832,134</u>	<u>\$ 4,713,255</u>	<u>\$ 42,493,782</u>

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

d. Assets related to contract costs

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Incremental costs of obtaining a contract - non-current	<u>\$ 1,793,461</u>	<u>\$ 1,710,107</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, 2022 and 2021 were \$1,200,756 thousand and \$1,302,825 thousand, respectively.

## 22. NON-OPERATING INCOME AND EXPENSES

a. Other gains and losses, net

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Loss on disposal and retirement of property, plant and equipment, net	\$ (222,543)	\$ (24,041)
Gain on disposal of property, plant and equipment held for sale	1,014	-
Gain on disposal of investments accounted for using equity method	-	29
Gain (loss) on foreign exchange, net	(25,952)	8,903
Others	<u>583</u>	<u>(216)</u>
	<u>\$ (246,898)</u>	<u>\$ (15,325)</u>

b. Finance costs

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Interest expense		
Corporate bonds	\$ 294,207	\$ 291,668
Bank loans	201,547	112,062
Related parties	117,538	109,353
Commercial papers payable	85,049	72,774
Lease liabilities	56,049	60,119
Others	<u>866</u>	<u>1,000</u>
	<u>\$ 755,256</u>	<u>\$ 646,976</u>

## 23. INCOME TAX

### a. Income tax recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current income tax expense		
Current period	\$ 872,180	\$ 891,699
Prior years' adjustments	<u>11,029</u>	<u>(348,057)</u>
	<u>883,209</u>	<u>543,642</u>
Deferred income tax expense		
Temporary differences	<u>24,109</u>	<u>138,610</u>
Income tax expense	<u>\$ 907,318</u>	<u>\$ 682,252</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit before tax	<u>\$ 11,932,869</u>	<u>\$ 11,670,417</u>
Income tax expense at domestic statutory tax rate	\$ 2,386,574	\$ 2,334,083
Adjustment items in determining taxable profit	(1,514,464)	(1,442,169)
Temporary differences	24,109	138,610
Investment tax credits	-	(1,182)
Land value increment tax	70	967
Prior years' adjustments	<u>11,029</u>	<u>(348,057)</u>
	<u>\$ 907,318</u>	<u>\$ 682,252</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Deferred income tax expense		
Unrealized gain/loss on financial assets at FVTOCI	\$ 104,622	\$ 87,399
Remeasurements from defined benefit plans	<u>40,573</u>	<u>1,804</u>
	<u>\$ 145,195</u>	<u>\$ 89,203</u>

c. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2022 and 2021 were as follows:

	<b>For the Year Ended December 31, 2022</b>			
	<b>Opening Balance</b>	<b>Recognized in</b>		<b>Closing Balance</b>
		<b>Profit or Loss</b>	<b>Other Comprehensive Income (Loss)</b>	
<u>Deferred tax assets</u>				
Property, plant and equipment	\$ 165,704	\$ (20,857)	\$ -	\$ 144,847
Defined benefit plans	59,333	(3,363)	(40,573)	15,397
Financial assets at FVTOCI	24,374	-	(24,374)	-
Others	<u>185,776</u>	<u>111</u>	<u>-</u>	<u>185,887</u>
	<u>\$ 435,187</u>	<u>\$ (24,109)</u>	<u>\$ (64,947)</u>	<u>\$ 346,131</u>
<u>Deferred tax liabilities</u>				
Intangible assets	\$ 703,734	\$ -	\$ -	\$ 703,734
Financial assets at FVTOCI	<u>-</u>	<u>-</u>	<u>80,248</u>	<u>80,248</u>
	<u>\$ 703,734</u>	<u>\$ -</u>	<u>\$ 80,248</u>	<u>\$ 783,982</u>
	<b>For the Year Ended December 31, 2021</b>			
	<b>Opening Balance</b>	<b>Recognized in</b>		<b>Closing Balance</b>
		<b>Profit or Loss</b>	<b>Other Comprehensive Income (Loss)</b>	
<u>Deferred tax assets</u>				
Property, plant and equipment	\$ 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>

d. The income tax returns through 2020 have been examined and cleared by the tax authorities.



## 24. EARNINGS PER SHARE

	<u>For the Year Ended December 31, 2022</u>		
	Amount After Income Tax	Weighted- average Number of Shares (In Thousands)	EPS (NT\$)
Basic EPS			
Profit attributable to stockholders	\$ 11,025,551	2,820,482	<u>\$ 3.91</u>
Effect of dilutive potential common stock:			
Employees' compensation	<u>-</u>	<u>3,717</u>	
Diluted EPS			
Profit attributable to stockholders (adj. for potential effect of common stock)	<u>\$ 11,025,551</u>	<u>2,824,199</u>	<u>\$ 3.90</u>
	<u>For the Year Ended December 31, 2021</u>		
	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 (adj. for potential effect of common stock)	<u>\$ 10,992,900</u>	<u>2,824,820</u>	<u>\$ 3.89</u>

Since TWM has the discretion to settle the employees' compensation by cash or stock, TWM should presume that the entire amount of the employees' 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, 2022

	Opening Balance	Cash Flows	Non-cash Changes		Ending Balance
			New Leases	Others	
Lease liabilities (including current and non-current portions)	<u>\$ 7,344,167</u>	<u>\$(3,442,956)</u>	<u>\$ 4,301,810</u>	<u>\$(206,650)</u>	<u>\$ 7,996,371</u>

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>

## 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 working capital, capital expenditures, 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	
	2022	2021
<u>Financial assets</u>		
Financial assets at FVTOCI (including current and non-current portions)	\$ 2,161,031	\$ 2,177,417
Financial assets measured at amortized cost (including current and non-current portions) (Note 1)	<u>10,623,279</u>	<u>9,376,634</u>
	<u>\$ 12,784,310</u>	<u>\$ 11,554,051</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (including current and non-current portions) (Note 2)	<u>\$ 91,192,320</u>	<u>\$ 89,639,619</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.

	<b>December 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Financial liabilities</u>				
Bonds payable (including current portion)	\$ 37,481,574	\$ 36,972,577	\$ 37,475,497	\$ 37,702,271

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 on the reporting date.
- 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, 2022

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTOCI</u>				
Equity instruments				
Domestic listed stocks	\$ 245,607	\$ -	\$ -	\$ 245,607
Domestic unlisted stocks	-	-	674,999	674,999
Foreign unlisted stocks	-	-	30,137	30,137
Limited partnerships	-	-	1,210,288	1,210,288
	<u>\$ 245,607</u>	<u>\$ -</u>	<u>\$ 1,915,424</u>	<u>\$ 2,161,031</u>

December 31, 2021

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

There were no transfers between the fair value measurements of Levels 1 and 2 for the years ended December 31, 2022 and 2021.

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 3 fair value measurement:

The fair value of unlisted stocks and limited partnerships investments was evaluated through the market approach and 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% as of December 31, 2022 and 2021.

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

For the Year Ended December 31, 2022

	<b>Financial Assets at FVTOCI - Equity Instruments</b>
Balance at January 1, 2022	\$ 1,125,458
Additions	375,000
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	<u>414,966</u>
Balance at December 31, 2022	<u>\$ 1,915,424</u>

For the Year Ended December 31, 2021

	<b>Financial Assets at FVTOCI - Equity Instruments</b>
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>

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 TWM fully complies with the provisions and financial covenants of loan contracts. As of December 31, 2022 and 2021, TWM had unused bank facilities of \$50,745,557 thousand and \$46,518,715 thousand, respectively.

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

	<b>Contractual Cash Flows</b>	<b>Within 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>
<u>December 31, 2022</u>				
Unsecured loans	\$ 19,389,248	\$ 19,389,248	\$ -	\$ -
Unsecured loans - related parties	13,077,626	13,077,626	-	-
Commercial papers payable	11,279,084	6,697,116	4,581,968	-
Bonds payable	38,614,380	6,288,130	24,705,000	7,621,250
Lease liabilities	<u>8,085,962</u>	<u>3,062,916</u>	<u>5,007,571</u>	<u>15,475</u>
	<u>\$ 90,446,300</u>	<u>\$ 48,515,036</u>	<u>\$ 34,294,539</u>	<u>\$ 7,636,725</u>

(Continued)

	<b>Contractual Cash Flows</b>	<b>Within 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>
<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> (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:

	<b>December 31, 2022</b>		
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Foreign currency assets</u>			
Monetary items			
USD	\$ 31,213	30.725	\$ 959,023
EUR	83	32.65	2,725
Non-monetary items			
USD	40,372	30.725	1,240,425
<u>Foreign currency liabilities</u>			
Monetary items			
USD	7,696	30.725	236,466
EUR	2	32.65	79

	<b>December 31, 2021</b>		
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<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

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, 2022 and 2021, 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 \$36,260 thousand and \$11,839 thousand for the years ended December 31, 2022 and 2021, 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 to reduce the impact of interest rates fluctuation.

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Fair value interest rate risk		
Financial assets	\$ 345,107	\$ 352,954
Financial liabilities	78,057,059	86,504,048
Cash flow interest rate risk		
Financial assets	2,122,912	1,538,012
Financial liabilities	11,099,424	-



### Sensitivity analysis

The following sensitivity analysis is based on the exposure to interest rate risk of derivative and non-derivative instruments at the end of the reporting period. For floating-rate assets and liabilities, the analysis assumes that the balances of outstanding assets and liabilities at the end of the reporting period have been outstanding for the whole period and that the changes in interest rates are reasonable. If the interest rate had increased by 50 basis points (with other factors remaining constant at the end of the reporting period and with analyses of the two periods on the same basis), profit would have decreased by \$44,883 thousand and increased by \$7,690 thousand for the years ended December 31, 2022 and 2021, 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 \$108,052 thousand and \$108,871 thousand since the fair value of financial assets at FVTOCI decreased for the years ended December 31, 2022 and 2021, 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
Fu Sheng Digital Co., Ltd. (FSD)	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
Taiwan Mobile Film Co., Ltd. (TWMFM)	Subsidiary
Taiwan Stampede Franchise Film Co., Ltd. (SFF)	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

(Continued)

<b>Related Party</b>	<b>Nature of Relationship</b>
Union Cable TV Co., Ltd. (UCTV)	Subsidiary
Globalview Cable TV Co., Ltd. (GCTV)	Subsidiary
Bebe Poshe International Co., Ltd. (Bebe Poshe)	Subsidiary
Fu Sheng Logistics Co., Ltd. (FSL)	Subsidiary
MFS Co., Ltd. (MFS)	Subsidiary
AppWorks	Associate
Uspace Tech Co., Ltd. (Uspace)	Associate
kbro Media Co., Ltd. (kbro Media)	Associate
Mistake Entertainment Co., Ltd. (M.E.)	Associate
AppWorks School Co., Ltd.	Associate (subsidiary of AppWorks)
Good Image Co., Ltd.	Associate (subsidiary of kbro Media)
Taiwan Pelican Express Co., Ltd.	Associate (not a related party since the first quarter of 2021)
Fubon Life Insurance Co., Ltd.	Other related party
Fubon Insurance Co., Ltd. (Fubon Insurance)	Other related party
Fubon Securities Investment Trust Co., Ltd.	Other related party
Fubon Sports & Entertainment Co., Ltd. (FSE)	Other related party
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Other related party
Fubon Financial Holding Co., Ltd.	Other related party
Fubon Securities Co., Ltd.	Other related party
Fubon Futures Co., Ltd.	Other related party
Fubon Investment Services Co., Ltd.	Other related party
Fubon Marketing Co., Ltd.	Other related party
Fu-Sheng Insurance Agency Co., Ltd.	Other related party
Fubon Insurance Agency Co., Ltd.	Other related party
Fubon Financial Venture Capital Co., Ltd.	Other related party
Fubon Gymnasium Co., Ltd.	Other related party
Fubon Asset Management Co., Ltd.	Other related party
One Production Film Co., Ltd.	Other related party
Fubon Land Development Co., Ltd.	Other related party
Fubon Property Management Co., Ltd.	Other related party
Fubon Real Estate Management Co., Ltd.	Other related party
Fubon Hospitality Management Co., Ltd.	Other related party
Fubon Private Equity Co., Ltd.	Other related party
TFB Capital Co., Ltd.	Other related party
P. League+ Co., Ltd.	Other related party
Jih Sun Financial Holding Co., Ltd.	Other related party
Jih Sun Securities Co., Ltd.	Other related party
Jih Sun International Bank, Ltd.	Other related party
Jih Sun International Property Insurance Agent Co., Ltd.	Other related party
Jih Sun Life Insurance Agent Co., Ltd.	Other related party
Jih Sun Futures Co., Ltd.	Other related party
Jih Sun Securities Investment Consulting Co., Ltd.	Other related party
Chung Hsing Constructions Co., Ltd.	Other related party
Ming Dong Co., Ltd. (Ming Dong)	Other related party
Fu Yi Health Management Co., Ltd.	Other related party
Chen Yun 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
Far Eastern Memorial Hospital	Other related party (not a related party since the third quarter of 2021)
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>2022</u>	<u>2021</u>
Subsidiaries	\$ 3,419,342	\$ 2,945,000
Associates	507	2,175
Other related parties	<u>276,522</u>	<u>240,994</u>
	<u>\$ 3,696,371</u>	<u>\$ 3,188,169</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>2022</u>	<u>2021</u>
Subsidiaries		
TFN	\$ 5,043,666	\$ 4,231,243
Others	742,423	801,281
Associates	811	1,730
Other related parties	<u>491,212</u>	<u>376,108</u>
	<u>\$ 6,278,112</u>	<u>\$ 5,410,362</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	
		2022	2021
Accounts receivable	Subsidiaries	\$ 473,910	\$ 419,927
Accounts receivable	Associates	-	333
Accounts receivable	Other related parties	<u>53,384</u>	<u>50,049</u>
		<u>\$ 527,294</u>	<u>\$ 470,309</u>
Other receivables	Subsidiaries	\$ 188,368	\$ 79,078
Other receivables	Other related parties	<u>55,667</u>	<u>40,785</u>
		<u>\$ 244,035</u>	<u>\$ 119,863</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	
		2022	2021
Accounts payable	Subsidiaries	\$ 191,356	\$ 211,375
Accounts payable	Associates	-	76
Accounts payable	Other related parties	<u>96,591</u>	<u>82,575</u>
		<u>\$ 287,947</u>	<u>\$ 294,026</u>
Other payables	Subsidiaries	\$ 643,516	\$ 561,072
Other payables	Other related parties	<u>55,893</u>	<u>34,388</u>
		<u>\$ 699,409</u>	<u>\$ 595,460</u>

5) Borrowings from related parties

	December 31	
	2022	2021
Subsidiaries		
TFN	\$ 9,413,000	\$ 7,913,000
WMT	3,179,000	3,230,000
Others	<u>413,000</u>	<u>388,000</u>
	<u>\$ 13,005,000</u>	<u>\$ 11,531,000</u>

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

6) Bank deposits and other financial assets

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Other related parties		
TFCB	\$ 602,370	\$ 620,624

7) Acquisition of subsidiary

<b>Related Party Transaction</b>	<b>Transaction Period</b>	<b>Shares (In Thousands)</b>	<b>Purchase Price</b>
Contributions to TVC's capital increase	2022	210,000	\$ 2,100,000
	2021	57,000	\$ 570,000

8) Others

	<u>December 31</u>	
	<b>2022</b>	<b>2021</b>
Refundable deposits		
Subsidiaries	\$ 38,905	\$ 34,910
Other related parties	<u>8,887</u>	<u>10,425</u>
	<u>\$ 47,792</u>	<u>\$ 45,335</u>

Other current liabilities - receipts under custody		
Subsidiaries	\$ 98,955	\$ 77,691
Other related parties	<u>167,264</u>	<u>159,666</u>
	<u>\$ 266,219</u>	<u>\$ 237,357</u>

	<u>For the Year Ended December 31</u>	
	<b>2022</b>	<b>2021</b>
Operating expenses		
Subsidiaries		
TT&T	\$ 955,450	\$ 999,906
TFN	33,259	34,247
Associates	1,134	13,760
Other related parties		
TMF	16,100	17,100
FSE	52,451	38,761
TFCB	139,353	123,566
Others	<u>92,585</u>	<u>95,017</u>
	<u>\$ 1,290,332</u>	<u>\$ 1,322,357</u>

For the years ended December 31, 2022 and 2021, TWM's service charges received (recognized as deduction of other income and expenses) were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Amounts received		
Subsidiaries		
TFN	\$ 393,468	\$ 404,344
Others	<u>27,648</u>	<u>21,768</u>
	<u>\$ 421,116</u>	<u>\$ 426,112</u>

For the years ended December 31, 2022 and 2021, TWM's service charges paid were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Amounts paid		
Subsidiaries		
TFN	<u>\$ 43,016</u>	<u>\$ 55,820</u>

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Finance costs - interest expenses of financing from other parties		
Subsidiaries		
TFN	\$ 84,485	\$ 74,489
Others	<u>33,053</u>	<u>34,864</u>
	<u>\$ 117,538</u>	<u>\$ 109,353</u>

9) Lease arrangements

Acquisition of right-of-use assets

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Subsidiaries	\$ 108	\$ 144,811
Other related parties	<u>3,940</u>	<u>172,504</u>
	<u>\$ 4,048</u>	<u>\$ 317,315</u>

Lease liabilities (including current and non-current portions)

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Subsidiaries	\$ 280,740	\$ 444,025
Other related parties	<u>160,904</u>	<u>231,579</u>
	<u>\$ 441,644</u>	<u>\$ 675,604</u>

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

c. Key management compensation

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 288,121	\$ 272,962
Termination and post-employment benefits	<u>11,385</u>	<u>8,070</u>
	<u>\$ 299,506</u>	<u>\$ 281,032</u>

**29. ASSETS PLEDGED**

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Other current financial assets	\$ 31,351	\$ 28,105
Other non-current financial assets	<u>480</u>	<u>480</u>
	<u>\$ 31,831</u>	<u>\$ 28,585</u>

**30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

a. Unrecognized commitments

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Purchases of property, plant and equipment	<u>\$ 7,117,937</u>	<u>\$ 2,724,280</u>
Purchases of inventories and sales commitments	<u>\$ 9,577,839</u>	<u>\$ 7,252,941</u>

As of December 31, 2022 and 2021, the amounts of lease commitments commencing after the balance sheet dates were \$187,601 thousand and \$215,517 thousand, respectively.

b. As of December 31, 2022 and 2021, the amounts of endorsements and guarantees provided to TFN, TKT and TVC were both \$24,750,000 thousand.

c. In August 2015, FET filed a statement of civil complaint with the Taipei District Court, in which FET claimed that (i) TWM shall apply for the return of the C4 spectrum block; (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 in favor of FET regarding claims (i), (ii), and (iii) of the lawsuit, and against FET regarding claim (iv) of the lawsuit. TWM and FET appealed with the High Court the reversal of the aforementioned sentences. The High Court dismissed the appeal of TWM regarding claims (i), (ii), and (iii), and regarding claim (iv) of FET, TWM shall pay FET \$765,779 thousand, of which \$152,584 thousand of the above amount, TWM shall make 5% annual interest payment for the period starting from September 5, 2015 to the payment date. TWM and FET appealed the reversal of the aforementioned sentences. In May 2019, the Supreme Court dismissed

the portion of High Court's original judgment on other appeal of FET regarding, and dismissed TWM's payment obligation, 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 High Court first retrial results were as follows: for the dismissed claim (iv) stated above, TWM shall pay FET \$242,154 thousand of which \$142,685 thousand shall have 5% annual interest for the period starting from September 30, 2016 to the payment date, and \$99,469 thousand shall have 5% annual interest for the period starting from July 21, 2017 to the payment date. TWM's counterclaim was denied. TWM and FET appealed the aforementioned sentences which were not favorable to them. The case is now in process at the Supreme Court.

### 31. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

- a. On December 30, 2021, TWM's Board of Directors resolved and signed the merger agreement with Taiwan Star Telecom Corporation Limited (TST). The NCC announced the approval of TWM's merger with TST with incidental provisions on January 18, 2023. On February 24, 2023, TWM's Board of Directors resolved the share exchange ratio of one TST share for 0.0326 TWM shares. The merger still requires regulatory approval from the Fair Trade Commission.
- b. In February 2023, the Board of Directors resolved that TWM would issue unsecured straight corporate bonds with a total amount of no more than \$6,500,000 thousand.

### 32. OTHERS

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

	<b>For the Year Ended December 31, 2022</b>			
	<b>Classified as Operating Costs</b>	<b>Classified as Operating Expenses</b>	<b>Classified as Operating Costs or Expense Deduction</b>	<b>Total</b>
Employee benefits				
Salary	\$ 1,074,025	\$ 2,630,392	\$ 305,940	\$ 4,010,357
Insurance expenses	81,707	226,911	19,967	328,585
Pension	44,475	112,065	10,676	167,216
Compensation of directors	-	89,434	-	89,434
Others	48,164	133,182	-	181,346
Depreciation	8,625,335	757,475	-	9,382,810
Amortization	4,220,307	1,328,462	-	5,548,769



**For the Year Ended December 31, 2021**

	<b>Classified as Operating Costs</b>	<b>Classified as Operating Expenses</b>	<b>Classified as Operating Costs or Expense Deduction</b>	<b>Total</b>
Employee benefits				
Salary	\$ 1,177,769	\$ 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

- a. For the years ended December 31, 2022 and 2021, the average numbers of TWM employees were 3,755 and 3,770, respectively, and the numbers of directors who were not employees were both 8.
- b. For the years ended December 31, 2022 and 2021, TWM's average employee benefits were \$1,251 thousand and \$1,274 thousand, respectively, and TWM's average salaries were \$1,070 thousand and \$1,094 thousand, respectively. The percentage change in the average salary expenses was -2%.
- c. TWM does not have any supervisors.
- d. The compensation policies of TWM are as follows:

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 Board, Audit Committee, Remuneration and Nomination Committee and ESG Steering Committee.

Managers

Compensation of managers comprises fixed salary and variable compensation. Fixed salary is paid monthly. Variable compensation is in the form of employees' compensation 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 sustainable development 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 sustainable development and compensation of the manager, TWM may downgrade the manager's assessment of the year by one level or reduce the manager's performance-based bonuses and employees' compensation within 10% if the goals of corporate sustainable development are not achieved.

Variable compensation is proposed by the Remuneration and Nomination Committee and approved by the Board of Directors.

### Employees

Employees are the most valuable assets to TWM. In order to maintain the competitiveness of compensation, TWM evaluates the pay level in the labor market by participating in 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 performance-based bonuses and employees' compensation according to the performance of the employee.

e. Information of employees' compensation and remuneration of directors

According to the Company's Articles of Incorporation, 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, remuneration of directors, and amounts reserved in advance. The estimations for employees' compensation and remuneration of directors were calculated by applying the aforementioned rates.

The employees' compensation and remuneration of directors of 2022 and 2021 shown below were approved by the Board of Directors on February 24, 2023 and February 22, 2022, respectively. There was no difference between the approved amounts and the amounts recognized.

	<b>For the Year Ended December 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Employees' Compensation Paid in Cash</b>	<b>Remuneration of Directors</b>	<b>Employees' Compensation Paid in Cash</b>	<b>Remuneration of Directors</b>
Amounts approved by the Board of Directors	<u>\$ 305,936</u>	<u>\$ 30,594</u>	<u>\$ 362,061</u>	<u>\$ 36,206</u>
Amounts recognized in the financial statements	<u>\$ 305,936</u>	<u>\$ 30,594</u>	<u>\$ 362,061</u>	<u>\$ 36,206</u>

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.

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.

### **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: None
  - 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 5 (attached)
  - 8) Receivables from related parties of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
  - 9) Names, locations and related information of investees on which TWM exercised significant influence (excluding information on investments in mainland China): Table 7 (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 8 (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 9 (attached)

#### **34. SEGMENT INFORMATION**

Please refer to the consolidated financial statements for the year ended December 31, 2022.

## TAIWAN MOBILE CO., LTD.

FINANCING EXTENDED TO OTHER PARTIES  
FOR THE YEAR ENDED DECEMBER 31, 2022

(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	\$ 500,000	\$ 500,000	\$ 413,000	0.86856%-1.12000%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 31,609,005	\$ 31,609,005	Note 2
			Other receivables	Yes	700,000	700,000	291,000	1.16878%-1.82000%	Short-term financing	-	Operation requirements	-	-	-	31,609,005	31,609,005	Note 2
2	WMT	TWM TKT TFNM WTVB	Other receivables	Yes	3,800,000	3,414,000	3,179,000	0.86867%-1.50622%	Short-term financing	-	Operation requirements	-	-	-	9,018,628	9,018,628	Note 2
			Other receivables	Yes	100,000	100,000	-	-	Short-term financing	-	Operation requirements	-	-	-	9,018,628	9,018,628	Note 2
			Other receivables	Yes	2,150,000	2,000,000	600,000	0.86856%-1.12000%	Short-term financing	-	Operation requirements	-	-	-	9,018,628	9,018,628	Note 2
			Other receivables	Yes	1,200,000	800,000	490,000	0.86856%-1.70378%	Short-term financing	-	Operation requirements	-	-	-	9,018,628	9,018,628	Note 2
3	TFN	TWM TCC	Other receivables	Yes	11,000,000	11,000,000	9,413,000	0.86867%-1.70378%	Short-term financing	-	Operation requirements	-	-	-	20,615,466	20,615,466	Note 2
			Other receivables	Yes	700,000	700,000	291,000	0.86878%-1.52000%	Short-term financing	-	Operation requirements	-	-	-	20,615,466	20,615,466	Note 2
4	YJCTV	TFNM	Other receivables	Yes	30,000	-	-	0.86878%	Transactions	405,951	-	-	-	-	405,951	405,951	Notes 3 and 4
5	PCTV	TFNM	Other receivables	Yes	520,000	520,000	520,000	0.86878%-1.49733%	Transactions	523,729	-	-	-	-	523,729	523,729	Notes 3 and 4
6	GCTV	TFNM	Other receivables	Yes	250,000	250,000	250,000	0.86878%-1.49733%	Short-term financing	-	Repayment of financing	-	-	-	283,647	283,647	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.

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES  
FOR THE YEAR ENDED DECEMBER 31, 2022

(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	\$ 7,000,000	\$ -	33.35	\$ 64,470,756	Y	N	N	Note 3
		TKT	Note 2	313,800	50,000	50,000	50,000	-	0.08	64,470,756	Y	N	N	Note 3
		TVC	Note 2	8,550,000	3,200,000	3,200,000	1,921,300	-	4.96	64,470,756	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, 2022

(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	\$ 245,607	0.028	\$ 245,607	
	<u>Unlisted Stocks</u> LINE Bank Taiwan Limited	-	Non-current financial assets at FVTOCI	75,000	674,999	5	674,999	
	Bridge Mobile Pte Ltd.	-	Non-current financial assets at FVTOCI	800	30,137	10	30,137	
	<u>Limited Partnerships</u> Grand Academy Investment, L.P.	-	Non-current financial assets at FVTOCI	-	1,108,681	21.67	1,108,681	Note 1
	Starview Heights Investment, L.P.	-	Non-current financial assets at FVTOCI	-	101,607	21.67	101,607	Note 1
TCC	<u>Unlisted Stocks</u> Arcoa Communication Co., Ltd.	-	Non-current financial assets at FVTOCI	6,998	91,046	5.21	91,046	
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	260,000	2.12	260,000	
	<u>Unlisted Stocks</u> 17LIVE INC.	-	Non-current financial assets at FVTPL	525	18,773	0.2	18,773	
	Jayawijaya Finance Limited	-	Non-current financial assets at FVTPL	5	150,734	6.24	150,734	
	FIGMENT INC.	-	Non-current financial assets at FVTOCI	-	4,458	0.09	4,458	Note 2
	Stampede Entertainment, Inc.	-	Non-current financial assets at FVTOCI	1,333	401,422	7.51	401,422	
	TIKI GLOBAL PTE. LTD.	-	Non-current financial assets at FVTOCI	760	516,856	2.39	516,856	
	CARSOME GROUP INC.	-	Non-current financial assets at FVTOCI	733	39,943	0.34	39,943	
	Cloud Mile Inc.	-	Non-current financial assets at FVTOCI	5,396	573,943	18.2	573,943	
	SoundOn Global Limited	-	Non-current financial assets at FVTOCI	-	15,100	1	15,100	Note 2
	BAM Management US Holdings Inc.	-	Non-current financial assets at FVTOCI	246	129,484	0.12	129,484	
	LINE MAN CORPORATION PTE. LTD.	-	Non-current financial assets at FVTOCI	1,100	273,391	0.95	273,391	
	Swift Navigation, Inc.	-	Non-current financial assets at FVTOCI	214	29,819	0.3	29,819	
	Swift Navigation, Inc.	-	Non-current financial assets at FVTOCI	364	50,692	0.5	50,692	
Partipost Pte. Ltd.	-	Non-current financial assets at FVTOCI	899	26,855	2.53	26,855		
Taiwan Web Service Corporation	-	Non-current financial assets at FVTOCI	3,000	16,284	4.48	16,284		

(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	
TVC	<u>Limited Partnerships</u>							
	AUM CREATIVE FUND II	-	Non-current financial assets at FVTPL	-	\$ 16,365	16.05	\$ 16,365	Note 1
	Linse Capital Fund I, L.P.	-	Non-current financial assets at FVTPL	-	66,786	0.89	66,786	Note 1
	LINSE CAPITAL SKY II LLC	-	Non-current financial assets at FVTPL	-	92,074	2.67	92,074	Note 1
	Northstar Equity Partners V Limited	-	Non-current financial assets at FVTPL	-	213,175	1.72	213,175	Note 1
	Pantera Blockchain Offshore Fund L.P.	-	Non-current financial assets at FVTPL	-	91,516	0.32	91,516	Note 1
	Pioneer Fund II L.P.	-	Non-current financial assets at FVTPL	-	82,465	13.58	82,465	Note 1
	Soma Capital Fund III, L.P.	-	Non-current financial assets at FVTPL	-	66,182	1.21	66,182	Note 1
	TOMORROW TOGETHER FUND	-	Non-current financial assets at FVTPL	-	19,119	23.53	19,119	Note 1
		<u>Convertible Notes</u>						
	CARSOME GROUP INC.	-	Non-current financial assets at FVTPL	-	126,280	-	126,280	
TCCI	<u>Listed Stocks</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	200,497	18,987,043	5.7	18,987,043	
	<u>Unlisted Stocks</u>							
	Great Taipei Broadband Co., Ltd.	-	Non-current financial assets at FVTOCI	10,000	38,639	6.67	38,639	
TUI	<u>Listed Stocks</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	410,665	38,890,003	11.67	38,890,003	
TID	<u>Listed Stocks</u>							
	TWM	TWM	Non-current financial assets at FVTOCI	87,590	8,294,731	2.49	8,294,731	
momo	<u>Unlisted Stocks</u>							
	Media Asia Group Holdings Limited	-	Current financial assets at FVTOCI	4,367	4,217	0.15	4,217	
	Gaius Automotive Inc.	-	Non-current financial assets at FVTPL	5,750	237,546	8.02	237,546	
	We Can Medicines Co., Ltd.	-	Non-current financial assets at FVTOCI	3,073	65,988	7.68	65,988	
	LINE Bank Taiwan Limited	-	Non-current financial assets at FVTOCI	37,500	337,499	2.5	337,499	

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 7 and Table 8 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, 2022

(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	Units/Shares (In Thousands)	Amount (Note 1)
TWM	<u>Unlisted Stocks</u> TVC	Investments accounted for using equity method	-	Subsidiary	217,500	\$ 2,736,210	210,000	\$ 2,100,000	-	\$ -	\$ -	\$ -	433,051 (Note 2)	\$ 4,604,998
	LINE Bank Taiwan Limited	Non-current financial assets at FVTOCI	-	-	50,000	408,139	37,500	375,000	12,500 (Note 3)	-	-	-	75,000	674,999
	<u>Listed Stocks</u> APT (Note 4)	Non-current financial assets at FVTOCI	-	-	97,171	798,745	-	-	97,171	671,375	2,980,000	(2,308,625) (Note 4)	-	-
TVC	<u>Unlisted Stocks</u> Cloud Mile Inc.	Non-current financial assets at FVTOCI	-	-	-	-	5,396	443,459	-	-	-	-	5,396	573,943
momo	<u>Unlisted Stocks</u> LINE Bank Taiwan Limited	Non-current financial assets at FVTOCI	-	-	-	-	37,500	375,000	-	-	-	-	37,500	337,499

Note 1: The ending balance included the relevant adjustments to share of profit of investments accounted for using equity method and financial assets.

Note 2: The ending balance of shares included the stock dividends, amounting to 5,551 thousand shares, received in the third quarter of 2022.

Note 3: LINE Bank Taiwan Limited reduced capital to write off 25% of the accumulated deficit in the second quarter of 2022, and TWM decreased 12,500 shares in accordance with the percentage of ownership.

Note 4: TWM exercised appraisal right in the second quarter of 2022 and deposited all of the held interests. The valuation loss was transferred from other equity to retained earnings.



## 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, 2022

(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	\$ 155,456	-	Based on contract terms	-	-	\$ 23,524	-	Note 3 Note 3	
			Purchase	5,043,666	11	Based on contract terms	-	-	(495,576)	Note 2		
	TPIA	Subsidiary	Subsidiary	Sale	200,317	-	Based on contract terms	-	-	80,109	1	
				Purchase	179,116	-	Based on contract terms	-	-	(41,000)	Note 2	
				Purchase	239,396	1	Based on contract terms	-	-	(45,184)	2	
				Sale	3,041,736	5	Based on contract terms	-	-	362,727	5	
momo	Subsidiary	Subsidiary	Purchase	239,239	1	Based on contract terms	-	-	(18,512)	1		
TWM&TDS	Fubon Insurance	Other related party	Sale	294,662	-	Based on contract terms	-	-	59,925	1		
TNH	TWM	Parent	Sale	126,354	22	Based on contract terms	-	-	8,009	59		
TFN	TFC	Fellow subsidiary	Sale	153,384	2	Based on contract terms	-	-	25,391	2		
			Sale	217,377	2	Based on contract terms	-	-	34,242	3		
			Sale	379,556	4	Based on contract terms	-	-	63,089	6		
TT&T	TWM	Ultimate parent	Sale	956,348	91	Based on contract terms	-	-	87,839	91		
TPIA	Fubon Insurance	Other related party	Sale	338,431	97	Based on contract terms	-	-	103,335	96		
TFNM	YJCTV	Subsidiary	Channel leasing fee	372,043	10	Based on contract terms	Note 1	Note 1	-	-		
			Channel leasing fee	484,014	14	Based on contract terms	Note 1	Note 1	-	-		
			Channel leasing fee	215,586	6	Based on contract terms	Note 1	Note 1	-	-		
			Channel leasing fee	174,174	5	Based on contract terms	Note 1	Note 1	-	-		
MCTV	Dai-Ka	Other related party	Royalty for copyright	155,992	51	Based on contract terms	Note 1	Note 1	(30,769)	74		
WTVB	kbro	Other related party	Sale	194,132	18	Based on contract terms	-	-	64,615	8		
momo	FSL	Subsidiary	Purchase	907,150	1	Based on contract terms	-	-	(254,317)	2		
			Purchase	203,739	-	Based on contract terms	-	-	(17,631)	-		
			Purchase	132,202	-	Based on contract terms	-	-	(51)	-		

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

Note 2: Including accounts payable and other payables.

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

TABLE 6

## TAIWAN MOBILE CO., LTD.

RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2022

(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	\$ 362,727	9.15	\$ -	-	\$ 357,446	\$ -
			Other receivables	95,724		-	-	29,513	-
TCC	TWM	Parent	Other receivables	413,731	-	-	-	-	
	TFC	Subsidiary	Other receivables	291,842	-	-	-	-	
WMT	TWM	Parent	Other receivables	3,193,040	-	-	3,193,040	-	
	TFNM	Subsidiary	Other receivables	600,608	-	-	-	-	
	WTVB	Subsidiary	Other receivables	491,156	-	-	177	-	
TFN	TWM	Ultimate parent	Accounts receivable	501,644	10.81	-	-	448,328	-
			Other receivables	9,488,405		-	-	19,255	-
	TCC	Parent	Other receivables	291,703	-	-	-	-	
TPIA	Fubon Insurance	Other related party	Accounts receivable	103,335	3.42	-	-	28,821	-
PCTV	TFNM	Parent	Accounts receivable	6,092	7.22	-	-	3,994	-
			Other receivables	520,036		-	-	35	-
GCTV	TFNM	Parent	Accounts receivable	2,481	7.11	-	-	1,578	-
			Other receivables	250,002		-	-	1	-
momo	TWM	Ultimate parent	Accounts receivable	50,391	11.89	-	-	49,763	-
			Other receivables	66,042		-	-	59,448	-
	TFCB	Other related party	Accounts receivable	233,631	Note	-	-	233,075	-
			Other receivables	279,185		-	-	279,185	-
FSL	momo	Parent	Accounts receivable	254,851	4.6	-	-	238,725	-

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, 2022

(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, 2022	December 31, 2021	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
TWM	TCC	Taiwan	Investment	\$ 40,397,288	\$ 40,397,288	502,970	100	\$ 19,869,765	\$ 3,905,482	\$ 3,906,214	Note 1
	WMT	Taiwan	Investment	16,871,894	16,871,894	42,065	100	22,545,770	3,173,222	3,172,668	Note 1
	TVC	Taiwan	Investment	4,275,000	2,175,000	433,051	100	4,604,998	120,947	120,947	
	TNH	Taiwan	Building and operating Songshan Cultural and Creative Park BOT project	1,918,655	1,918,655	191,866	49.9	1,960,752	115,316	56,350	Note 1
	FSD	Taiwan	Information services	30,000	-	3,000	100	23,421	(3,246)	(6,579)	Note 1
	AppWorks	Taiwan	Venture capital, investment consulting, and management consulting	235,000	235,000	2,168	51	244,745	(18,337)	(10,213)	Note 1
TCC	TFN	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	51,539,627	3,538,184	-	Note 2
	TT&T	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	155,012	48,442	-	Note 2
	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	241,896	19,397	-	Notes 2 and 3
	TCCI	Taiwan	Investment	17,285,441	17,285,441	154,721	100	25,988,580	2,120	-	Note 2
	TDS	Taiwan	Commissioned maintenance services	25,000	25,000	2,500	100	103,044	8,651	-	Note 2
	TPIA	Taiwan	Property insurance agent	5,000	5,000	500	100	110,571	100,571	-	Note 2
	TFC	Taiwan	Cloud and information services	200,000	200,000	20,000	100	246,602	67,009	-	Note 2
WMT	TFNM	Taiwan	Type II telecommunications business	5,210,443	5,210,443	230,921	100	6,768,720	1,598,631	-	Note 2
	GFMT	Taiwan	Investment	16,984	16,984	1,500	100	17,424	123	-	Note 2
	GWMT	Taiwan	Investment	92,189	92,189	8,945	100	97,885	2,231	-	Note 2
	WTVB	Taiwan	TV program provider	222,417	222,417	18,177	100	396,195	126,931	-	Note 2
	momo	Taiwan	Wholesale and retail sales	8,129,394	8,129,394	98,354	45.01	10,968,706	3,434,626	-	Notes 2 and 4
TVC	TWMFM	Taiwan	Film production	11,300	300	1,130	100	11,054	(184)	-	Note 2
	AppWorks Fund III	Taiwan	Venture capital	583,292	694,767	57,877	20.14	600,765	724,769	-	Note 2
	NADA	Taiwan	Animation production	60,000	60,000	4,286	37.93	55,558	1,090	-	Note 2
	AppWorks Fund IV	Taiwan	Venture capital	105,000	-	-	32.86	101,159	(13,309)	-	Note 2 and 5
	Uspace	Taiwan	Information software service	200,030	-	5,969	32.90	194,095	(67,590)	-	Note 2
TFN	TUI	Taiwan	Investment	22,314,609	22,314,609	400	100	33,743,265	(76)	-	Note 2
TCCI	TID	Taiwan	Investment	3,603,149	3,603,149	104,712	100	7,202,078	(76)	-	Note 2
TWMFM	SFF	Taiwan	Film production	300	-	30	100	254	(46)	-	Note 2
TFNM	TKT	Taiwan	Digital music services	156,900	156,900	14,700	100	334,369	43,930	-	Note 2
	YJCTV	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	1,449,291	(61,672)	-	Note 2
	MCTV	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	628,626	24,943	-	Notes 2 and 6
	PCTV	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,465,185	122,399	-	Note 2
	UCTV	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,051,901	33,236	-	Note 2
	GCTV	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,277,609	34,946	-	Note 2
	kbro Media	Taiwan	Film distribution, arts and literature services, and entertainment	341,250	341,250	21,994	33.58	78,593	(149,709)	-	Note 2

(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, 2022	December 31, 2021	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
TKT	M.E.	Taiwan	Livestreaming artists management services and digital media production	\$ 30,628	\$ 27,000	537	11.33	\$ 33,110	\$ 21,884	\$ -	Note 2
GFMT	UCTV	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	15,775	33,236	-	Note 2
GWMT	GCTV	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	96,447	34,946	-	Note 2
momo	Asian Crown (BVI)	British Virgin Islands	Investment	885,285	885,285	9,735	81.99	17,506	(3,448)	-	Note 2
	Honest Development	Samoa	Investment	670,448	670,448	21,778	100	560,502	(99,495)	-	Note 2
	FLI	Taiwan	Life insurance agent	3,000	3,000	500	100	2,922	(2,280)	-	Note 2
	FPI	Taiwan	Property insurance agent	3,000	3,000	500	100	12,983	3,515	-	Notes 2 and 7
	FST	Taiwan	Travel agent	6,000	6,000	3,000	100	46,612	5,577	-	Note 2
	Bebe Poshe	Taiwan	Wholesale of cosmetics	90,880	85,000	8,868	88.68	27,953	(5,790)	-	Note 2
	FSL	Taiwan	Logistics and transport	250,000	250,000	25,000	100	374,472	118,512	-	Note 2
	MFS	Taiwan	Wholesaling	100,000	100,000	10,000	100	98,399	(2,380)	-	Note 2
	Prosperous Living	Taiwan	Wholesale and retail sales	220,850	220,850	22,085	73.62	223,833	4,232	-	Note 2
	TV Direct	Thailand	Wholesale and retail sales	Note 8	179,406	Note 8	Note 8	Note 8	Note 8	-	Notes 2 and 8
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	1,132,789	1,132,789	11,594	100	16,913	(3,834)	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	1,132,789	1,132,789	11,594	100	16,913	(3,834)	-	Note 2
Honest Development	HK Yue Numerous	Hong Kong	Investment	670,448	670,448	16,600	100	560,502	(99,495)	-	Note 2

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

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

Note 3: Held 1 share as of period end.

Note 4: Material non-controlling interests.

Note 5: Percentage of ownership is the percentage of capital contribution.

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

Note 7: Renamed as Fuli Insurance Agent Co., Ltd. in February 2023, and changed its main business to comprehensive insurance agent.

Note 8: momo sold all of its equity interest of TV Direct in August 2022.

Note 9: For information on investments in mainland China, see Table 8 for the details.

(Concluded)

**TAIWAN MOBILE CO., LTD.**  
**INVESTMENTS IN MAINLAND CHINA**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

(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	\$ 92,175 (USD 3,000)	b	\$ 149,689 (USD 4,872)	\$ -	\$ -	\$ 149,689 (USD 4,872)	\$ 1,381	100	\$ 1,381	\$ 83,402	\$ -	
FGE	Wholesaling	341,076 (RMB 77,500)	b	823,012 (USD 14,000) (RMB 89,267)	-	-	823,012 (USD 14,000) (RMB 89,267)	(4,943)	76.7	(3,791)	6,976	-	
Haobo	Investment	48,411 (RMB 11,000)	b	-	-	-	-	(100,135)	100	(100,135)	531,879	-	
GHS	Wholesaling	220,049 (RMB 50,000)	b	-	-	-	-	61,451	20	(19,073)	486,008	-	

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	\$1,637,082 (USD18,872, RMB89,267 and HKD168,539)	\$1,637,082 (USD18,872, RMB89,267 and HKD168,539)	\$43,710,468

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, 2022**

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
TUI	410,665,284	11.67
Shin Kong Life Insurance Co., Ltd.	251,723,000	7.15
TCCI	200,496,761	5.70
Cathay Life Insurance Co., Ltd.	188,343,900	5.35
Ming Dong	184,736,452	5.25

Note: The table discloses the information of major stockholders whose stockholding percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks and preferred stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter.

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**TAIWAN MOBILE CO., LTD.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

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<b>Item</b>	<b>Summary</b>	<b>Amount</b>
Cash on hand and revolving funds		<u>\$ 80,905</u>
Cash in banks		
Demand deposits		1,272,353
Foreign currency deposits		
	(US\$26,583 thousand, at an exchange rate of \$30.725)	816,754
	(EUR60 thousand, at an exchange rate of \$32.65)	1,974
Checking account deposits		<u>5,472</u>
		<u>2,096,553</u>
		<u>\$ 2,177,458</u>



**TAIWAN MOBILE CO., LTD.**

**STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE, NET**

**DECEMBER 31, 2022**

**(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Others (Note)	\$ 6,452,979
Less: Allowance for impairment loss	<u>(379,768)</u>
	<u>\$ 6,073,211</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, 2022  
 (In Thousands of New Taiwan Dollars)

	Beginning Balance		Increase in Investment (Note 1)		Decrease in Investment (Note 2)		Adjustments of Investments Accounted for Using Equity Method (Note 3)	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	\$ 18,772,200	-	\$ -	-	\$ (2,863,599)	\$ 3,961,164	502,970	100	\$ 19,869,765	\$ 79,022,513
WMT	42,065	22,266,600	-	-	-	(2,906,761)	3,185,931	42,065	100	22,545,770	22,546,570
TVC	217,500	2,736,210	215,551	2,100,000	-	(1)	(231,211)	433,051	100	4,604,998	4,604,998
TNH	191,866	1,904,402	-	-	-	-	56,350	191,866	49.9	1,960,752	1,957,990
FSD	-	-	3,000	30,000	-	-	(6,579)	3,000	100	23,421	26,754
AppWorks	1,275	<u>270,997</u>	893	-	-	-	<u>(26,252)</u>	2,168	51	<u>244,745</u>	9,665
		<u>\$ 45,950,409</u>		<u>\$ 2,130,000</u>		<u>\$ (5,770,361)</u>	<u>\$ 6,939,403</u>			<u>\$ 49,249,451</u>	

Note 1: The increase in investments mainly resulted from cash capital increase or receiving share dividends.

Note 2: The decrease in investments mainly resulted from receiving cash dividends.

Note 3: 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 4: 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, 2022  
(In Thousands of New Taiwan Dollars)

	Land	Buildings	Telecommuni- cations Equipment and Machinery	Others	Total
<u>Cost</u>					
Balance, January 1, 2022	\$ 983,333	\$ 12,794,585	\$ 509,179	\$ 171,056	\$ 14,458,153
Additions	365,701	3,895,176	27,827	15,953	4,304,657
Remeasurement of lease liabilities	503	(6,200)	4,172	-	(1,525)
Deductions	(247,818)	(2,972,402)	(18,783)	(17,669)	(3,256,672)
Others	<u>(312)</u>	<u>(1,206)</u>	<u>-</u>	<u>-</u>	<u>(1,518)</u>
Balance, December 31, 2022	<u>\$ 1,101,407</u>	<u>\$ 13,709,953</u>	<u>\$ 522,395</u>	<u>\$ 169,340</u>	<u>\$ 15,503,095</u>
<u>Accumulated depreciation</u>					
Balance, January 1, 2022	\$ 492,885	\$ 6,325,750	\$ 235,052	\$ 77,438	\$ 7,131,125
Depreciation	235,148	3,065,596	87,059	38,068	3,425,871
Deductions	<u>(235,836)</u>	<u>(2,760,895)</u>	<u>(9,760)</u>	<u>(16,404)</u>	<u>(3,022,895)</u>
Balance, December 31, 2022	<u>\$ 492,197</u>	<u>\$ 6,630,451</u>	<u>\$ 312,351</u>	<u>\$ 99,102</u>	<u>\$ 7,534,101</u>
Carrying amount, December 31, 2022	<u>\$ 609,210</u>	<u>\$ 7,079,502</u>	<u>\$ 210,044</u>	<u>\$ 70,238</u>	<u>\$ 7,968,994</u>

## TAIWAN MOBILE CO., LTD.

STATEMENT OF SHORT-TERM BORROWINGS  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Loan Type	Amount	Contract Period	Interest Rates	Loan Commitments	Collateral
Unsecured - bank	<u>\$ 19,300,000</u>	2022.10.28-2023.5.26	1.53%-1.65%	<u>\$ 60,071,000</u>	None
Unsecured - related parties					
TFN	9,413,000	2022.5.6-2023.5.5		11,000,000	None
WMT	3,179,000	2022.1.27-2023.4.21	0.87%-1.70378%	3,800,000	None
TCC	<u>413,000</u>	2022.5.6-2023.5.5		<u>500,000</u>	None
	<u>13,005,000</u>			<u>15,300,000</u>	
	<u>\$ 32,305,000</u>			<u>\$ 75,371,000</u>	

## TAIWAN MOBILE CO., LTD.

STATEMENT OF SHORT-TERM NOTES AND BILLS PAYABLE  
DECEMBER 31, 2022  
(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	2022.11.28-2023.2.24	1.658%	<u>\$ 3,100,000</u>	<u>\$ 7,605</u>	<u>\$ 3,092,395</u>

**TAIWAN MOBILE CO., LTD.**

**STATEMENT OF ACCOUNTS PAYABLE**

**DECEMBER 31, 2022**

**(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Company A	\$ 749,257
Company B	231,847
Company C	115,834
Others (Note)	<u>825,675</u>
	<u>\$ 1,922,613</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, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Equipment and construction	\$ 2,091,425
Salaries and pension	1,366,339
Estimated loss from lawsuits	765,779
Repair and maintenance expense	708,597
Rents and utilities expense	677,877
Commissions	396,078
Others (Note)	<u>1,589,770</u>
	<u>\$ 7,595,865</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, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Institution Providing Guarantee or Acceptance</b>	<b>Amount</b>	<b>Contract Period</b>	<b>Interest Rates</b>	<b>Collateral</b>
Commercial papers payable				
China Bills Finance Corporation	\$ 4,496,902	2022.6.2-2025.6.1		None
Yuanta Commercial Bank	1,999,849	2020.12.31-2023.12.31	0.688%-1.81%	None
Mega Bill Finance Corporation	1,499,746	2020.12.25-2023.12.25		None
Less: Current portion	<u>(3,499,595)</u>			
	<u>\$ 4,496,902</u>			



**TAIWAN MOBILE CO., LTD.****STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Item (Target)</b>	<b>Lease Terms</b>	<b>Discount Rates</b>	<b>Amount</b>
Land	1-19 years	0.61%-1%	\$ 607,585
Buildings	1-10 years	0.61%-1%	7,096,075
Telecommunications equipment and machinery	6 years	0.79%-1%	221,790
Others	1-5 years	0.62%-0.86%	<u>70,921</u>
			<u>\$ 7,996,371</u>

**TAIWAN MOBILE CO., LTD.****STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Cost of goods sold	\$ 20,472,303
Depreciation	8,625,335
Interconnecting cost (Note 1)	7,104,189
Government fees (Note 2)	4,709,271
Others (Note 3)	<u>5,320,550</u>
	<u>\$ 46,231,648</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, 2022  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Marketing</b>	<b>Administrative</b>	<b>Total</b>
Salaries and pension	\$ 1,583,457	\$ 1,115,490	\$ 2,698,947
Professional service fees	1,249,297	235,918	1,485,215
Amortization	1,204,086	124,209	1,328,295
Depreciation	532,334	221,741	754,075
Commissions and mobile phone subsidies	695,454	-	695,454
Service charges	242,916	335,515	578,431
Others (Note)	<u>1,060,708</u>	<u>765,460</u>	<u>1,826,168</u>
	<u>\$ 6,568,252</u>	<u>\$ 2,798,333</u>	<u>\$ 9,366,585</u>

Note: The amount of each item was less than 5% of the total account balance.