

## **Home Business Group**

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

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

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

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

## **Retail Business**

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

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

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

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

## **Market and Sales Overview**

### **Market analysis**

#### **Consumer Business Group**

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

The Company provides nationwide and international roaming services. The coverage includes Taiwan and the outlying islands of Kinmen and Matsu.

## 2. Market status

As of October 2022, the mobile subscription penetration rate had reached 129.2%. Although it is a mature market, 5G's commercialization offers exciting opportunities as demand for IoT, broadband, smart devices and value-added services surges.

## 3. Competitive advantages

- (1) The Company provides integrated and diversified telecom-cable-e-commerce rate plans to increase users' stickiness and build a win-win ecosystem.
- (2) The Company has launched various services based on customers' usage scenarios to solve their pain points, such as multiple OTT-video and music streaming, online cloud gaming, and rate plans combined with e-commerce consumption rewards. It has also integrated various technical services and devices to provide a one-stop service aimed at enhancing service value and brand differentiation.

## 4. Opportunities and challenges

### Positive factors

- (1) Diversified 5G applications should boost value-added services and increase revenue.
- (2) With the rise of the lazy economy, a one-stop integrated service can solve users' pain points and increase brand value.
- (3) Smart home trend and an aging society should open up new business opportunities, such as home security.

### Negative factors

- (1) Limited knowledge and low involvement of smart home.
- (2) The cost of IoT production is still high, and users are unwilling to pay a high price for it.
- (3) Metaverse is a popular theory, but there is no killer app or service yet.

### Countermeasures

- (1) The Company plans to attract potential users with Google's brand power to encourage them to upgrade to smart home.
- (2) The Company is cooperating with more Taiwanese home appliance brands, helping them convert their products into IoT and co-developing the smart home market.
- (3) MyMoji provides cross-domain service and lets user get a taste of metaverse.

## Enterprise Business Group

### 1. Main products and service areas

Taiwan Mobile Enterprise Services provides international services in 247 countries. As of the end of 2022, its roaming services included the following: 3G: 183 countries, 353 networks; 4G: 122 countries, 215 networks; 5G: 56 countries, 82 networks.

### 2. Market status

According to IDC's "2022-2026 Asia-Pacific (excluding Japan) 5G Enterprise Service Forecast" report, the Asia-Pacific (excluding Japan) 5G enterprise service market is rapidly growing, and 5G service revenue would reach US\$8 billion in 2026, with a compound annual growth rate of 137%. IDC's forecast of Taiwan's top 10 ICT trends in 2023 include enterprises accelerating digital transformation and development, international political tensions accelerating the implementation of AI, digital twins and cloud services, and demand for information security services rising.

### 3. Competitive advantages

- (1) Premium brand equity and customer relationship: Taiwan Mobile Enterprise Services is a brand under Taiwan Mobile. It actively responds to customer needs and designs one-stop services for enterprises to help them create maximum benefits for their customers. Taiwan Mobile Enterprise Services has won widespread recognition among major corporations.
- (2) Professional management team and efficient support unit: Taiwan Mobile Enterprise Services has experienced sales and logistics teams, as well as extensive corporate group resources. Its cloud IDC server room has received Uptime Tier III certifications for design, construction and operational sustainability.
- (3) Industry ecosystem partner resources: The Company effectively integrates the advantages of partners and creates customized industry solutions for corporate customers.

### 4. Opportunities and challenges

#### Positive factors

- (1) The COVID-19 pandemic has accelerated the digital transformation of enterprises. A telecom company has the advantage of having an existing communication network infrastructure, which can drive and take advantage of the demand for cloud and information security services.
- (2) IMC's top 10 global trends forecast for 2023 sees the rising emphasis on net zero emissions, sustainable ESG and digital transformation. As the Company has actively invested in sustainable management and possesses comprehensive tools for enterprise digital transformation, it is well-positioned to seize market opportunities.

#### Negative factors

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

#### Countermeasures

The Company will continue to pursue innovation, strengthen vertical integration capabilities, develop cross-field alliance opportunities, and cooperate with partners in various fields to create industrial vertical integration solutions, as well as more comprehensive 5G, cloud, IoT and information security services, and work with customers to carry out digital transformation and strengthen customer adhesion.

### Home Business Group

#### 1. Main products and service areas

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

#### 2. Market status

- (1) Cable TV: Taiwan's CATV penetration rate has reached over 50% of households, according to NCC data. Watching TV is a major leisure activity in Taiwan – one that is relatively unaffected by fluctuations in the economy. However,

intensifying competition from cable system operators (SO), Chunghwa Telecom's MOD system and OTT content providers has affected market pricing.

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

### **3. Competitive advantages**

- (1) TWM offers high-speed broadband network and WiFi 6 transmission which, coupled with its rich digital content and value-added services, should drive digital TV revenue growth.
- (2) The Company can leverage off the group's rich and varied resources to offer innovative digital convergence products and services.

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

#### Positive factors

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

#### Negative factors

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

#### Countermeasures

- (1) TWM Broadband is observing developments in Taiwan's digital content industry and global industry trends, focusing on providing a richer assortment of digital channels and connected TV content.
- (2) With the launch of A1 Box – an open platform integrating cable TV channels and diverse OTT content – and 1Gbps+WiFi 6 service, TWM Broadband offers Smarter Home service, GeForce NOW cloud gaming, Disney+, etc.

### **Retail Business**

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

momo mainly provides e-commerce and TV home shopping services in Taiwan.

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

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

### 3. Competitive advantages

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

### 4. Opportunities and challenges

#### Positive factors

- (1) Mobile usage time and mobile shopping continue to increase.

#### Negative factors

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

#### Countermeasures

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

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

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

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

## Major suppliers and customers in the past two years

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

### 1. Major suppliers

Unit: NT\$'000

2021					2022			
	Company	Procurement amount	As a % of 2021 total net procurement	Nature of relationship	Company	Procurement amount	As a % of 2022 total net procurement	Nature of relationship
1	Company A	13,111,786	12	Third party	Company A	13,176,835	11	Third party
	Others	95,569,791	88		Others	111,443,330	89	
	Total	108,681,577	100		Total	124,620,165	100	

### 2. Major customers:

Not applicable as the Company's revenue from a single customer did not exceed 10% of its consolidated operating revenue.

### 3. Reasons for variation

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

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

## Sales volume in the past two years

Services		2021		2022	
		Sales volume	Revenue (NT\$'000)	Sales volume	Revenue (NT\$'000)
Mobile	Mobile services ('000 subs at year-end)	7,270	40,216,905	7,482	41,202,847
Domestic fixed telephony	Local calls ('000 minutes) <sup>1</sup>	233,294	443,466	215,900	435,182
	Long distance calls ('000 minutes) <sup>1</sup>	77,488	51,738	69,246	47,206
International fixed telephony	International calls ('000 minutes) <sup>1</sup>	27,997	485,141	18,973	484,963
Fixed-line data transmission ('000 lines)		243	2,652,809	290	2,845,478
Sales revenue <sup>2</sup>		NA	104,122,968	NA	118,931,066
Others		NA	8,136,506	NA	8,259,370
Total			156,109,533		172,206,112

1: Outgoing minutes only.

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