



**Taiwan Mobile Co., Ltd.**

## **2018 Annual General Shareholders' Meeting**

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### **Meeting Minutes**

**(Translation)**

*Note to Readers:*

*If there is any discrepancy between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese version shall prevail.*

# 2018 AGM Meeting Minutes

- **Time:** 9:00 a.m., June 12, 2018
- **Place:** B2, No. 108, Sec. 1, Dunhua S. Rd., Taipei City  
(Fubon International Conference Center)
- **Total outstanding shares of Taiwan Mobile** (excluding the shares with no voting rights stipulated in Article 179 of the Company Act): **2,722,081,226 shares**
- **Total shares represented by shareholders present** (including 2,411,309,083 shares represented by shareholders executing voting rights through e-voting): **2,457,788,166 shares**
- **Percentage of shares held by shareholders present: 90.29%**
- **Chairman: Daniel M. Tsai / Recorder: Joy Lin**
- **Directors present:** Daniel M. Tsai, Chairman of the Board of Directors  
Richard M. Tsai, Vice Chairman of the Board of Directors  
Jack J.T. Huang, Independent Director  
Hsueh-Jen Sung, Independent Director  
Char-Dir Chung, Independent Director  
James Jeng, Director

- **Attendees:** Che-Hung Chen, Attorney, Chen & Lin Attorneys-at-Law  
Li-Wen Kuo, CPA, Deloitte & Touche

The aggregate shareholding of the shareholders present constituted a quorum. The Chairman called the meeting to order.

- **Chairman's Address (omitted)**
- **Report Items**
  1. **The 2017 Business Report** (see Attachment I)
  2. **The 2017 Audit Committee Report** (see Attachment II)
  3. **The distribution of the 2017 employees' and directors' compensations**

The 2017 employees' and directors' compensations are NT\$453,359,036 and NT\$45,355,904, respectively, which was approved by the Board and the total amounts will be distributed in cash.
  4. **The issuance of the unsecured corporate straight bond**

- (1) To repay bank borrowings and strengthen Taiwan Mobile's (The Company) financial structure, the board resolved to issue its fifth unsecured straight corporate bond of NT\$15bn. The issuance of the aforementioned straight bond was approved by the Taipei Exchange on April 12, 2018 with the Authorization No. 10700085201. The straight bond has been listed on the Taipei Exchange since April 20, 2018.
- (2) The terms and the use of proceeds from the bond issuance are attached hereto as Attachment III.

## 5. Revisions to the Ethical Corporate Management Best Practice Principles

Please refer to Attachment IV for articles and amendments.

## 6. CSR Blueprint for 2030

In 2017, the Company has nearly completed the CSR 2020 Vision Project, kicked off in 2014. Therefore, the Company will roll out CSR Blueprint for 2030, in response to the coming 5G era and the United Nations' 2030 agenda for sustainable development. The theme of CSR Blueprint for 2030 is "Zetta Connected! 2030", in hopes of inspiring the Company's employees to develop and strive towards sustainability KPIs, and strengthening the Company's role as the core of all connected things. Please refer to Attachment V for more details.

A shareholder (shareholder account #196116) raised questions in relation to TWM's 2030 Vision Blueprint. The inquiry was answered by the Chairman and the management team designated by the Chairman.

### ● Proposed Resolutions

#### 1. To approve the 2017 Business Report and Financial Statements

Taiwan Mobile's financial statements were audited by certified public accountants, Li-Wen Kuo and Kwan-Chung Lai, of Deloitte & Touche. The 2017 Business Report, CPA's audit report, and financial statements are attached hereto as Attachments I and VI.

RESOLVED, the above proposal was accepted as submitted.

#### Voting Results:

| Number of shares represented at the time of voting | For           |       | Against | Invalid | Abstained   |
|--|---------------|-------|---------|---------|-------------|
|  | Shares        | %     |         |         |             |
| 2,457,788,161                                      | 2,287,019,993 | 93.05 | 733,775 | 0       | 170,034,393 |

#### 2. To approve the proposal for the distribution of the 2017 retained earnings

- (1) The Company's 2017 net income was NT\$14,192,175,846 (please see

Attachment VII for the 2017 Earnings Distribution Proposal).

- (2) The cash dividend from retained earnings proposed by the Board is NT\$13,610,406,130. The Company received consent letters from TCC Investment Co., Ltd. (TCCI), TCCI Investment & Development Co., Ltd. (TID) and TFN Union Investment Co., Ltd. (TUI) waiving their rights to receive dividends from the Company. Deducting 698,751,601 shares collectively owned by TCCI, TID and TUI from the total outstanding shares of 3,420,832,827, the share count entitled to receive dividends is 2,722,081,226, representing a cash dividend of NT\$ 5 per share. It is proposed that the Chairman be authorized to set a record date for distribution and make relevant adjustments, if any, based on the total number of shares outstanding on the record date. Total amount of the cash dividend paid to each shareholder shall be rounded down to the nearest dollar and the remainder will be recognized in other revenue of the Company.

A shareholder (shareholder account #196116) inquired about the legality of TCCI, TID, and TUI waiving their rights to receive cash dividends and capital distribution. The inquiry was answered by the Chairman and the management team designated by the Chairman.

RESOLVED, the above proposal was accepted as submitted.

Voting Results:

| Number of shares represented at the time of voting | For           |       | Against | Invalid | Abstained   |
|--|---------------|-------|---------|---------|-------------|
|  | Shares        | %     |         |         |             |
| 2,457,788,161                                      | 2,290,912,423 | 93.21 | 271,061 | 0       | 166,604,677 |

**3. To approve the cash return out of capital surplus**

Cash return from capital surplus proposed by the Board is NT\$1,633,248,736. The Company received consent letters from TCC Investment Co., Ltd. (TCCI), TCCI Investment & Development Co., Ltd. (TID) and TFN Union Investment Co., Ltd. (TUI) waiving their rights to receive cash return from the Company. Deducting 698,751,601 shares collectively owned by TCCI, TID and TUI from the total outstanding shares of 3,420,832,827, the share count entitled to receive dividends is 2,722,081,226, representing a cash distribution of NT\$0.6 per share. Total amount of the cash distribution paid to each shareholder shall be rounded down to the nearest dollar and the remainder will be recognized in other revenue of the Company. It is proposed that the Chairman be authorized to set a record date for distribution and make relevant adjustments, if any, based on the total number of shares outstanding on the record date.

RESOLVED, the above proposal was accepted as submitted.

Voting Results:

| Number of shares represented at the time of voting | For           |       | Against | Invalid | Abstained   |
|--|---------------|-------|---------|---------|-------------|
|  | Shares        | %     |         |         |             |
| 2,457,788,161                                      | 2,290,904,784 | 93.21 | 278,133 | 0       | 166,605,244 |

**4. To approve revisions to the Articles of Incorporation**

In response to tendering bids for government contracts and to leasing out idle property, the Company proposed revisions to Article 2 of the Articles of Incorporation. Please refer to Attachment VIII for articles and amendments.

RESOLVED, the above proposal was accepted as submitted.

Voting Results:

| Number of shares represented at the time of voting | For           |       | Against   | Invalid | Abstained   |
|--|---------------|-------|-----------|---------|-------------|
|  | Shares        | %     |           |         |             |
| 2,457,788,161                                      | 2,287,396,161 | 93.06 | 3,748,662 | 0       | 166,643,338 |

**5. To by-elect an independent director**

- (1) The Company's Eighth Term Board of Directors, elected at the 2017 AGM, comprises a total of nine Directors, four of whom are Independent Directors. The term of office of the directors is three years, commencing from June 14, 2017 to June 13, 2020.
- (2) In response to the resignation of the independent director of the Company, Mr. Chung-Ming Kuan, on January 12, 2018, a new independent director who will hold office from June 12, 2018 to June 13, 2020 shall be by-elected at the 2018 AGM in compliant with the Company's corporate government.
- (3) None of the shareholders holding 1% or more of the Company's shares nominated to the company any independent director candidate during the nomination period, which commenced from April 17, 2018 to April 27, 2018. The nomination process was conducted at the sixth meeting of the Eighth Term Board of Directors on April 27, 2018 and the candidate list of directors was reviewed and approved at the seventh meeting of the Eighth Term Board of Directors on April 27, 2018. Please refer to Attachment IX for the Rules for the Election of the Directors.

| <b>Independent Director Candidates</b> |                                   |  |  |                                     |
|--|-----------------------------------|--|--|-------------------------------------|
| <b>Name</b>                            | <b>Education</b>                  | <b>Experience</b>  | <b>Current Major Position</b>  | <b>Current Shareholding (share)</b> |
| Jamie Lin                              | MBA, NYU Stern School of Business | <ul style="list-style-type: none"> <li>- Co-founder, Musegames</li> <li>- Co-founder, Sosauce.com</li> <li>- Associate, HSS Ventures</li> <li>- Analyst, All Asia Partners</li> <li>- General Manager of Greater China, Intumit</li> </ul> | <ul style="list-style-type: none"> <li>- Chairman, AppWorks</li> <li>- Chairman, AppWorks Fund I</li> <li>- Chairman, AppWorks Fund II</li> <li>- Chairman, AppWorks Fund III</li> <li>- Independent Director, Taiwan Taomee Co., Ltd(Taipei Exchange listed)</li> <li>- Director, HannsTouch Solution Incorporated (Taiwan Stock Exchange listed)</li> <li>- Director, Winbond Electronics Corp.(Taiwan Stock Exchange listed)</li> </ul> | 0                                   |

Election Results:

Mr. Jamie Lin was elected as the new independent director:

| <b>Title</b>         | <b>Shareholder account #<br/>or ROC ID #</b> | <b>Name</b> | <b>Votes Received</b> |
|----------------------|--|-------------|-----------------------|
| Independent Director | ROC ID# A12477****                           | Jamie Lin   | 1,356,602,136         |

**6. To approve the removal of the non-competition restrictions on the Board of Directors**

- (1) According to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (2) Vote on the removal of the non-competition restrictions on the Board of Directors that operate or invest in other business with the same or similar business scope of the Company until the end of their term of office.

| <b>Name</b>     | <b>Current position(s) in other companies</b>   |
|-----------------|---|
| Daniel M. Tsai  | Chairman, Tien Chien Co., Ltd.                  |
|                 | Chairman, Ti Kun Co., Ltd.                      |
|                 | Chairman, Hsi Po Lai Co., Ltd.                  |
|                 | Chairman, Yi Fu So Co., Ltd.                    |
|                 | Chairman, Taipei New Horizon Co., Ltd.          |
|                 | Chairman, Dun Fu Co., Ltd.                      |
| Richard M. Tsai | Director, Tien Chien Co., Ltd.                  |
|                 | Director, Ti Kun Co., Ltd.                      |
|                 | Director, Hsi Po Lai Co., Ltd.                  |
|                 | Director, Yi Fu So Co., Ltd.                    |
|                 | Director, Colossians Co., Ltd.                  |
|                 | Director, Cho Pharma, INC.                      |
| San-Cheng Chang | Independent Director, Winbond Electronics Corp. |
|                 | Independent Director, Acer Incorporated         |
|                 | Director, Xue Xue                               |
| James Jeng      | Director, Taipei New Horizon Co., Ltd.          |
| Hsueh-Jen Sung  | Chairman, Vaucluse Capital Management Ltd.      |
|                 | Chairman, Shin Chiuan Capital Management Ltd.   |
| Jamie Lin       | Chairman, AppWorks                              |
|                 | Independent Director, Taiwan Taomee Co., Ltd    |
|                 | Director, HamnsTouch Solution Incorporated      |
|                 | Director, Winbond Electronics Corp.             |
|                 | Director, TWO & J TRADING COMPANY               |
|                 | Director, DIGIFORCE CO.,LTD                     |

- (3) According to Article 178 of the Company Act, a shareholder, who has a conflict of interest with a proposed resolution, shall recuse himself from voting or from exercising the voting rights on behalf of other shareholders in the AGM.

RESOLVED, the above proposal was accepted as submitted.

Voting Results (Number of shares represented at the time of voting excluded the shares with no voting rights due to a conflict of interest stipulated in Article 178 of the Company Act):

| <b>Name</b>     | <b>Number of shares represented at the time of voting</b> | <b>For</b>    |          | <b>Against</b> | <b>Invalid</b> | <b>Abstained</b> |
|-----------------|---|---------------|----------|----------------|----------------|------------------|
|                 |   | <b>Shares</b> | <b>%</b> |                |                |                  |
| Daniel M. Tsai  | 2,356,876,683   | 1,710,756,547 | 72.58    | 904,443        | 0              | 645,215,693      |
| Richard M. Tsai | 2,358,728,735   | 1,712,606,069 | 72.60    | 904,740        | 0              | 645,217,926      |
| San-Cheng       | 2,452,039,398   | 1,805,921,269 | 73.64    | 881,672        | 0              | 645,236,457      |
| James Jeng      | 2,457,788,161   | 1,811,641,128 | 73.71    | 909,576        | 0              | 645,237,457      |
| Hsueh-Jen Sung  | 2,457,788,161   | 1,811,666,461 | 73.71    | 901,774        | 0              | 645,219,926      |
| Jamie Lin       | 2,457,788,161   | 1,811,647,081 | 73.71    | 902,623        | 0              | 645,238,457      |

## **Special Motions**

1. A shareholder (shareholder account #154931) inquired about TWM's handling of employee overtime in the recent \$499 rate plan frenzy and suggested that the company be vigilant toward employee rights and social responsibilities. These concerns were addressed in detail by the chairman and president James Jeng.
2. A shareholder (shareholder account #196116) had enquires on various topics such as mobile tariff plans, corporate governance, business operations, and employee wellness programs. All the inquiries were answered by the Chairman.
3. No further special motions were raised after the Chairman's asking.

## **Meeting Adjourned** (Time: 10:00 a.m.)

In compliance with Article 183, Paragraph 4 of the Company Act, the meeting minutes hereby summarizes the main content and pertinent voting results of the Annual General Shareholders' Meeting.



## **ATTACHMENTS**

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## **Business Report**

Taiwan Mobile (“TWM” or “the Company”) posted another solid year in 2017, with revenue of NT\$117.2bn, EBITDA of NT\$32.8bn, net profit of NT\$14.2bn and earnings per share of NT\$5.21. The Company strengthened its telecom business’ profitability by aggressively promoting mobile value-added services and implementing cost-control measures. Stable core operations, coupled with momo’s robust growth, allowed the Company to outperform its peers, posting the highest earnings per share in the domestic telecommunications industry for the sixth consecutive year.

The Company remained committed to improving the efficiency of its 4G spectrum and network usage with continuous service upgrades. At the end of 2017, its 4G monthly subscription penetration rate of 78% exceeded expectations, as the Company successfully expanded the scale of its 4G business. In addition, the Company participated in the 1800/2100 MHz spectrum auction held by the National Communications Commission (NCC). It acquired four blocks on the 2100 MHz band at a cost of NT\$8.6 billion, securing a maximum continuous bandwidth of 20 MHz while paying the lowest per unit cost of spectrum among all bidders. Taiwan Mobile was able to execute a calibrated spectrum investment strategy that maximizes shareholders’ interests while satisfying customer demand.

As the Company steadily expanded its core business, it continued to gain recognition for its commitment to enhancing corporate value, which included:

### 1. World-class corporate governance

Taiwan Mobile is committed to maintaining integrity as its core value and promoting corporate governance. The Company’s initiative in meeting global standards has won not only the trust of investors, but also numerous awards and recognitions from domestic and international ratings institutions. Last year, TWM was honored with an “Industry Mover” award from sustainability investment specialist RobecoSAM in its 2017 yearbook, the only Taiwanese telecom firm to receive such a distinction. In addition, TWM was selected as a constituent of the prestigious Dow Jones Sustainability Index (DJSI) series for the sixth consecutive year and was for the first time listed among the companies in the DJSI World Index, ranking 2nd among telecom companies worldwide with an overall score of 90. The Company was also honored with two awards, “Best Investor Relations Company (Taiwan)” and “Asia’s Best CFO (Investor Relations)”, at the Asian Excellence Awards; and for the third year in a row, it ranked among the top 5% listed companies on the Taiwan Stock Exchange and the Taipei Exchange’s “Corporate Governance Evaluation.”

### 2. A role model for corporate social responsibility

TWM’s efforts to employ its corporate and financial resources to assist non-profit organizations in promoting social welfare and environmental protection have gained wide recognition. Last year, it received its 11th “Corporate Social Responsibility” award from Global Views Monthly and its 10th “Excellence in Corporate Social Responsibility” award from CommonWealth magazine, ranking fifth among large enterprises, the highest among

domestic telecom companies. It was also honored for the fourth year in a row by the Taiwan Institute for Sustainable Energy Research, receiving nine awards: top 50 corporate sustainability; transparency and integrity; social inclusion; climate leadership; people development; supply chain management; creativity in communication; top 50 corporate sustainability report award - gold award in ICT sector; and the highest individual honor, outstanding corporate sustainability professional, to TWM Chairman Daniel M. Tsai.

### 3. Premium services and customer satisfaction

With customer care as its core value, TWM offers premium client services, which earned the following achievements: the "Best Consumer Service Innovation Award" by the Taiwan Contact Center Development Association at the 2017 Customer Service Excellence Awards in Taiwan and its sixth Qualicert certification from the Swiss firm, SGS, for its direct store channels and customer service system.

After marking its 20th anniversary last year, Taiwan Mobile is looking forward to meeting this year's challenges. The Company is keen to embrace change and has set no limits to its identity as a telecommunications service company. It has positioned itself as an "Internet Technology Company" as the T.I.M.E. era takes shape: With the diverse developments in the Telecom, Internet, Media & Entertainment, and E-Commerce industries, Taiwan Mobile is on target to become a leader in digital convergence, aiming to provide the best value to its customers, shareholders, employees and the community.



**Audit Committee Report**

February 1, 2018

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2017 business report and financial statements to the Audit Committee. The CPA firm, Deloitte & Touche, was retained by the Board to audit TWM's financial statements and has issued an audit report relating to the financial statements. The business report and financial statements have been reviewed and determined to be correct and accurate by the Audit Committee of TWM. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report to the 2018 Annual General Meeting of shareholders for ratifications.

Taiwan Mobile Co., Ltd.



Hsueh-Jen Sung

Chairman of the Audit Committee



**Taiwan Mobile Co., Ltd.**

## **Audit Committee Report**

April 27, 2018

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's proposal for distribution of the 2017 earnings to the Audit Committee. The proposal has been reviewed and determined to be correct and accurate by the Audit Committee of TWM. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report to the 2018 Annual General Meeting of shareholders for ratifications.

Taiwan Mobile Co., Ltd.

A handwritten signature in blue ink that reads "Hsueh-Jen Sung". The signature is written in a cursive, flowing style.

Hsueh-Jen Sung

Chairman of the Audit Committee

## The Issuance of the Unsecured Corporate Straight Bond

### Issuance Terms:

| <b>Issuance</b>  |   | <b>Fifth Unsecured Corporate Straight Bond</b>  |
|--|---|---|
| Issue date   |   | April 20, 2018  |
| Denomination   |   | NT\$10,000,000  |
| Issuance and listing                                     |   | Not applicable  |
| Issue price  |   | 100% of par value   |
| Total amount   |   | Total amount is NT\$15 billion: NT\$6 billion for the 5-year bond and NT\$9 billion for the 7-year bond |
| Coupon   |   | Fixed rate at 0.848% per annum for the 5-year bond and 1.00% per annum for the 7-year bond              |
| Term   |   | 5 years, maturing on April 20, 2023 and 7 years, maturing on April 20, 2025                             |
| Guarantor  |   | None  |
| Trustee  |   | Bank of Taiwan  |
| Underwriter  |   | Yuanta Securities Co., Ltd. as the lead underwriter   |
| Legal counsel  |   | Chen Ji-Min, Attorney   |
| Auditor  |   | Li-Wen Kuo, CPA<br>Kwan-Chung Lai, CPA<br>Deloitte & Touche   |
| Repayment  |   | 100% of the principal at maturity dates   |
| Outstanding balance                                      |   | NT\$15,000,000,000  |
| Early repayment clause                                   |   | None  |
| Covenants  |   | None  |
| Credit rating agency, rating date, company credit rating |   | None  |
| Ancillary rights   | Amount converted/exchanged into common shares, ADRs or other securities | Not applicable  |
|  | Rules governing issuance or conversion( exchanged or subscribed)        | Not applicable  |
| Dilution and other effects on shareholders' equity       |   | Not applicable  |
| Custodian  |   | Not applicable  |

The use of proceeds from straight bond issuance: On April 20, 2018, the proceeds of NT\$15bn were used to repay bank borrowings in accordance with the Company's plan.

## Ethical Corporate Management Best Practice Principles - Before and After Amendments for Comparison

| Amended  | Original   | Explanation   |
|--|--|---|
| <p><b>Article 7 (Engaging in Commercial Activities under Ethical Corporate Management Policies)</b></p> <p>The Company, based on the principle of ethical management, shall engage in commercial activities in a fair and transparent manner.</p> <p>Prior to the conclusion of any commercial transaction, the Company shall take into consideration the legality of their agents, suppliers, clients or other trading counterparties, and whether they have conducted Unethical Conduct before, if any, and avoid having any dealings with persons who have or have been involved with any record of Unethical Conduct.</p> <p>When entering into contracts with other parties, the Company shall include in such contracts provisions demanding ethical corporate management policy compliance and a provision that in the event the trading counterparties are suspected of engaging in or involved with Unethical Conduct, the Company may at any time terminate or cancel the contracts.</p> <p><u>When engaging in business activities, the Company shall follow the relevant environmental laws, regulations and international standards to properly protect the environment and achieve the goal of a sustainable environment.</u><br/> <u>The Company shall prevent from polluting water, air and land when engaging in business activities.</u><br/> <u>Under consideration of cost</u></p> | <p><b>Article 7 (Engaging in Commercial Activities under Ethical Corporate Management Policies)</b></p> <p>The Company, based on the principle of ethical management, shall engage in commercial activities in a fair and transparent manner.</p> <p>Prior to the conclusion of any commercial transaction, the Company shall take into consideration the legality of their agents, suppliers, clients or other trading counterparties, and whether they have conducted Unethical Conduct before, if any, and avoid having any dealings with persons who have or have been involved with any record of Unethical Conduct.</p> <p>When entering into contracts with other parties, the Company shall include in such contracts provisions demanding ethical corporate management policy compliance and a provision that in the event the trading counterparties are suspected of engaging in or involved with Unethical Conduct, the Company may at any time terminate or cancel the contracts.</p> | <ol style="list-style-type: none"> <li>1. When engaging in business activities, the Company shall comply with the relevant domestic environmental laws and regulations, and endeavor to the goal of a sustainable environment. Therefore, Paragraph 4 was added after referring to Article 11 of the Corporate Social Responsibility Best Practice Principles of the Company.</li> <li>2. When engaging in business activities, the Company shall make the best effort to prevent from pollution, and take the best and practicable measures for pollution control. Therefore, Paragraph 5 was added after referring to Article 14 of the Corporate Social Responsibility Best Practice Principles of the Company.</li> <li>3. The Company shall comply with the labor, safety and health laws and regulations to protect employees' lawful rights and interests, and shall not endanger the rights and interests of labors. Therefore, Paragraph 6 was added after referring to Articles 16 and 18 of the Corporate Social Responsibility Best Practice Principles of the Company.</li> <li>4. The Company shall treat the agents, suppliers, customers or other commercial transaction partners and employees on an equal basis. Therefore, Paragraph 7 was added after referring to Article 7 of the Ethical Corporate Management Best Practice Principles.</li> </ol> |

| Amended  | Original   | Explanation   |
|--|--|---|
| <p><u>effectiveness and technology feasibility, the Company shall make the best effort to reduce adverse effects on human health and environment, and take the best and most practicable measures for pollution control.</u></p> <p><u>The Company shall comply with the domestic labor laws and regulations, safety and health laws and regulations, and International Bill of Human rights, provide for employees a safe, healthy and clean work environment, protect employees' lawful rights and interests, and shall not endanger the basic rights of labors.</u></p> <p><u>The Company shall not discriminate in any type (including races, genders, disabilities, religions etc.) against agents, suppliers, customers, other transaction partners, or employees.</u></p> |  |   |
| <p><b>Article 16 (Legal Compliance for Conducting Business)</b></p> <p>The Company and its directors, managers, employees, mandataries and Substantial Controllers shall comply with the laws, regulations, internal principles <u>and obligation of confidentiality for confidential and business sensitive information when conducting business.</u></p>   | <p><b>Article 16 (Legal Compliance for Conducting Business)</b></p> <p>The Company and its directors, managers, employees, mandataries and Substantial Controllers shall comply with the laws, regulations, and internal principles.</p> | <p>1. The Company's employees shall strictly observe the confidentiality obligations for business confidentiality. Therefore, by referring to Article 6 of the Ethical Corporate Management Best Practice Principles and Article 21 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, the additional paragraph is added to this Article.</p> |





**Taiwan Mobile Co., Ltd.**

## **Ethical Corporate Management Best Practice Principles**

Officially resolved by the board of directors on January 27, 2011

First amendment was approved by the board of directors on October 27, 2011

Second amendment was approved by the board of directors on April 30, 2015

Third amendment was approved by the board of directors on July 27, 2016

Fourth amendment was approved by the board of directors on February 1, 2018

### **Article 1 (Purpose of Enactment and Applicable Scope)**

Subject to the operation principles of integrity, transparency, and responsibility, Taiwan Mobile Co., Ltd. (the "Company") enacts and executes "The Ethical Corporate Management Best Practice Principles" ("Principles") to establish a corporate culture of ethical management and sound development, and offer a framework to establish good commercial practices, risk management mechanism, and to create a sustainable business environment.

The Principles shall apply to the Company's subsidiaries, any foundation constituted as a juristic person to which the Company's direct or indirect accumulated contribution of funds exceeds 50% of the total funds received, and other institutions or juridical persons which are substantially controlled by the Company.

### **Article 2 (Prohibition of Unethical Conduct)**

When engaging in commercial activities, directors, managers, employees, mandataries of the Company or persons having substantial control over the Company ("Substantial Controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper Benefits (see Article 3), nor commit unethical acts including breach of the principle of good faith, illegal acts, or breach of fiduciary duty (collectively "Unethical Conduct") for purposes of acquiring or maintaining Benefits (see Article 3).

The opposite parties of the Unethical Conduct referred to in the preceding paragraph include civil servants, political candidates, political parties or their members, state-run or private-owned businesses or institutions and their directors, supervisors, managers, employees or substantial controllers or other stakeholders.

### **Article 3 (The Types of Benefits)**

The "Benefits" mentioned in the Principles means any items of value, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

### **Article 4 (Legal Compliance)**

The Company shall comply with the Company Act, Securities and Exchange Act, Business

Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflict of Interest, TWSE/GTSM-listing related rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

#### **Article 5 (Prevention Program)**

In order to exercise in business operation, the Company shall stipulate the “Operation Rules of Ethical Corporate Management Best Practice Principles” and comply with the relevant laws and regulations in the country where the Company, affiliates, group enterprises or organizations have business operations.

#### **Article 6 (The Commitment and Execution)**

The Company shall clearly specify ethical corporate management principles in their internal rules and external documents. The board of directors and management promises to rigorously and thoroughly enforce ethical management for internal management and external commercial activities.

#### **Article 7 (Engaging in Commercial Activities under Ethical Corporate Management Policies)**

The Company, based on the principle of ethical management, shall engage in commercial activities in a fair and transparent manner.

Prior to the conclusion of any commercial transaction, the Company shall take into consideration the legality of their agents, suppliers, clients or other trading counterparties, and whether they have conducted Unethical Conduct before, if any, and avoid having any dealings with persons who have or have been involved with any record of Unethical Conduct.

When entering into contracts with other parties, the Company shall include in such contracts provisions demanding ethical corporate management policy compliance and a provision that in the event the trading counterparties are suspected of engaging in or involved with Unethical Conduct, the Company may at any time terminate or cancel the contracts.

When engaging in business activities, the Company shall follow the relevant environmental laws, regulations and international standards to properly protect the environment and achieve the goal of a sustainable environment.

The Company shall prevent from polluting water, air and land when engaging in business activities. Under consideration of cost effectiveness and technology feasibility, the Company shall make the best effort to reduce adverse effects on human health and environment, and take the best and most practicable measures for pollution control.

The Company shall comply with the domestic labor laws and regulations, safety and health laws and regulations, and International Bill of Human rights, provide for employees a safe, healthy and clean work environment, protect employees’ lawful rights and interests, and shall not

endanger the basic rights of labors.

The Company shall not discriminate in any type (including races, genders, disabilities, religions etc.) against agents, suppliers, customers, other transaction partners, or employees.

#### **Article 8 (Prohibition of Offering and Accepting Bribes)**

When conducting business, the Company and its directors, managers, employees, mandataries and Substantial Controllers shall not directly or indirectly offer, promise to offer, request or accept any improper Benefits in any form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

#### **Article 9 (Prohibition of Offering Illegal Political Donations)**

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, managers, employees, mandataries and Substantial Controllers shall comply with the Political Donations Act and its own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

#### **Article 10 (Prohibition of Improper Charitable Donations or Sponsorship)**

When making or offering donations and sponsorship, the Company and its directors, managers, employees, mandataries and Substantial Controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

#### **Article 11 (Prohibition of Unjustifiable Presents, Hospitality or Other Improper Benefits)**

The Company and its directors, managers, employees, mandataries and Substantial Controllers shall not directly or indirectly offer or accept any unjustifiable presents, hospitality or other improper Benefits to establish business relationship or influence commercial transactions.

#### **Article 12 (Prohibition of Intellectual Property Infringement)**

The Company and its directors, managers, employees, mandataries and Substantial Controllers shall comply with the laws, regulations, internal process procedures, and applicable contracts pertaining to intellectual property. The Company shall not use, disclose, dispose, destroy, or make any other infringement to intellectual property without prior written consent of the owners of the intellectual property rights.

#### **Article 13 (Prohibition of Unfair Competition)**

The Company shall follow the applicable competition laws and regulations when engaging in business activities, and shall not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

#### **Article 14 (Prohibition of Damages on Products or Services against Stakeholders)**

The Company and its directors, managers, employees, mandataries and Substantial Controllers shall comply with the applicable laws and regulations and international standards governing its products and services to ensure the transparency of information about, and safety of, the products and services in the course of their research and development, procurement, manufacture, provision, or sale of the products and services. The Company shall adopt and announce a policy on the protection of the rights and interests of the consumers or other stakeholders to prevent its products and services from directly or indirectly damaging the rights and interests, health, and safety of the consumers or other stakeholders. Where there are sufficient facts to determine that the Company's products or services are likely to pose any hazard to the safety and health of the consumers or other stakeholders, the Company shall recall those products or suspend the services immediately.

#### **Article 15 (Organization and Responsibility)**

The directors, managers, employees, mandataries and Substantial Controllers of the Company shall exercise due care in urging the Company to prevent Unethical Conduct, and review, from time to time, the results of the preventive measures and continually make adjustments.

To achieve sound ethical corporate management, the internal legal office shall be in charge of the enactment of the ethical management policy, the prevention of the Unethical Conduct, the execution and supervision of the ethical management as follows, and report to the board of directors on a regular basis:

1. Stipulate the “Operation Rules of Ethical Corporate Management Best Practice Principles”.
2. Promoting and coordinating awareness and educational activities with respect to ethics policy.
3. Developing the whistleblowing mechanism and ensuring its operating effectiveness.
4. Assisting the board of directors and management team in auditing and assessing whether ethical management is effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

#### **Article 16 (Legal Compliance for Conducting Business)**

The Company and its directors, managers, employees, mandataries and Substantial Controllers shall comply with the laws, regulations and the internal principles and obligation of confidentiality for confidential and business sensitive information when conducting business.

#### **Article 17 (Avoiding Conflicts of Interest)**

The Company shall establish regulations for preventing conflicts of interest, to distinguish, supervise, and manage the potential risks of Unethical Conduct resulting from conflict interests, and offer appropriate means for directors, managers, and any other stakeholders attending or present at the board meeting to voluntarily explain whether their interests would potentially conflict with those of the Company.

A director, manager, and any other stakeholder attending or present at the board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting, shall state the important aspects of the stake in the meeting. Such person shall be prohibited from discussing and participating in voting on any proposals if there is likelihood that the interests of this Company would be prejudiced, shall recuse himself or herself from any discussion and voting, and shall not exercise voting rights as proxy on behalf of another director. The directors shall exercise self-discipline and should not support one another in improper ways.

The Company's directors, managers, employees, mandataries and Substantial Controllers shall not take advantage of their positions or influence in the Company to obtain improper Benefits for

themselves, their spouses, parents, children or any other person.

#### **Article 18 (Accounting and Internal Control)**

The Company shall establish effective accounting and internal control systems for business activities which may be at a higher risk of being involved in Unethical Conduct, and should not have under-the-table accounts or maintain secret accounts, and shall conduct reviews from time to time so as to ensure that the design and enforcement of the systems continue to be effective.

The internal audit department of the Company shall inspect the Company's compliance with the system mentioned in the preceding paragraph and prepare and submit audit reports to the board of directors on a regular basis. The Company may assign accountants to perform the inspection, and may request assistance from other professionals if required.

#### **Article 19 (Operational Procedures and Guidelines)**

The operational principles and rules established by the Company for the prevention of Unethical Conduct shall specifically regulate the rules of business conduct for the Company's directors, managers, employees, and Substantial Controllers.

#### **Article 20 (Training and Reviews)**

The chairman, general manager, or senior management shall communicate the importance of ethics to its directors, employees, and mandataries on a regular basis.

The Company shall periodically organize training or awareness programs for its directors, managers, employees, mandataries and Substantial Controllers. Each business department of the Company shall propagate the principles to the counterparties of any commercial transaction the Company engages in, and have such counterparties fully understand the Company's resolution to implement the Principles and the consequences of committing Unethical Conduct.

The Company shall combine the Principles with its employee performance evaluation system and human resource policies to establish a clear and effective reward and punishment system.

#### **Article 21 (Whistleblowing, Punishment and Appeals Process)**

In cases where the Company's directors, manager, employees, mandataries or Substantial Controller has discovered a violation of the Principles, the directors, manager, employees or Substantial Controller shall report such violation to the Audit Committee, managers, internal audit officer or other appropriate channels of the Company. The Company shall keep confidential the identity of the person who reports such violation and the report's content, and shall investigate and deal with such report actively. If any violation of the Principles is confirmed, a disciplinary action will be imposed depending upon the nature and degree of such violation.

#### **Article 22 (Disclosure of Information)**

The Company shall disclose the status of the enforcement of the Principles on its company website, annual report and public prospectus.

#### **Article 23 (Review and Amendment to the Principles)**

The Company shall monitor the development of relevant local and international regulations concerning ethical corporate management from time to time, and encourage its directors, managers and employees to make suggestions so as to review and improve the Principles and



achieve better results from implementation.

**Article 24 (Enforcement)**

The Ethical Corporate Management Best Practice Principles of the Company shall be implemented after the Principles are reviewed by the Audit Committee and resolved by the board of directors, and then the Principles shall be submitted at the shareholders' meeting. The same procedure shall apply to any amendment thereto.

# CSR Blueprint for 2030



-  A more aggressive approach towards the advent of 5G era
-  Based on “**Responsible Business / Creating Synergy**” with our suppliers to fulfill the sustainable developments of the goals set as below:
  - **Elevated Experience**
  - **Realizing Potential**
  - **Minimizing Footprint**



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**The 2017 Consolidated Financial Statements**

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders

Taiwan Mobile Co., Ltd.

**Opinion**

We have audited the accompanying consolidated financial statements of Taiwan Mobile Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), IFRIC Interpretations ("IFRIC"), and SIC Interpretations ("SIC") endorsed and issued into effect by the Financial Supervisory Commission ("FSC") of the Republic of China ("ROC").

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the 2017 consolidated financial statements are as follows:

**The Impairment Loss of Property, Plant and Equipment and Intangible Assets (Including Goodwill)**

The description of key audit matter:

The consolidated balances of property, plant and equipment and intangible assets (including goodwill) amounted to \$41,603,421 thousand and \$65,372,820 thousand, respectively, as of December 31, 2017. On each balance sheet date, the Group reviews its tangible and intangible assets for indications of impairment. If any indication thereof exists, the Group then estimates the recoverable amount of the assets. If it is not

possible to determine the recoverable amount (fair value less costs to sell and value in use) for the individual asset, then the Group will determine the recoverable amount for the asset's cash-generating unit. Because the aforementioned tangible and intangible assets amounted to \$106,976,241 thousand (69% of total consolidated assets) and the calculation for the recoverable amount involved several assumptions and estimations which directly impact the amount recognized as impairment losses, we believe that the review for the impairment of assets is a key audit matter.

Corresponding audit procedure:

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

1. Obtain the valuation form of asset impairment produced by the Group for each cash-generating unit.
2. Evaluate the appropriateness of the assumptions and sensitivity analyses, including the classification of cash-generating units, forecasts of cash flows, and discount rates, used by the management to assess asset impairment.

### Telecommunication Service Revenue

The description of key audit matter:

The source of the major operating revenue of the Group is the telecommunication service revenue. For the year ended December 31, 2017, the telecommunication service revenue amounted to \$54,097,974 thousand. Because nowadays the telecommunication industry is more competitive and the calculation of the service revenue has become more complex and cumbersome, relying highly on automatic, systematic connection and implementation, the telecommunication service revenue is considered as one of the key audit matters.

Corresponding audit procedure:

By conducting compliance tests, we obtained an understanding of the 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.
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.

### **Other Matter**

We have also audited the parent company only financial statements of Taiwan Mobile Co., Ltd. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements

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

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

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

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

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

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

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

responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 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 Li-Wen Kuo and Kwan-Chung Lai.

Deloitte & Touche

Taipei, Taiwan

Republic of China

February 1, 2018

#### Notice to Readers

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

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

# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

| ASSETS  | December 31, 2017     |            | December 31, 2016     |            | LIABILITIES AND EQUITY   | December 31, 2017     |             | December 31, 2016     |             |
|---|-----------------------|------------|-----------------------|------------|--|-----------------------|-------------|-----------------------|-------------|
|   | Amount                | %          | Amount                | %          |  | Amount                | %           | Amount                | %           |
| <b>CURRENT ASSETS</b>   |                       |            |                       |            | <b>CURRENT LIABILITIES</b>   |                       |             |                       |             |
| Cash and cash equivalents (Notes 6 and 28)                      | \$ 6,631,544          | 4          | \$ 7,704,517          | 5          | Short-term borrowings (Notes 16 and 28)                              | \$ 9,662,318          | 6           | \$ 7,363,005          | 5           |
| Available-for-sale financial assets (Notes 7 and 28)            | 1,104,467             | 1          | 1,231,871             | 1          | Short-term notes and bills payable (Note 16)                         | 5,595,892             | 4           | -                     | -           |
| Debt instrument investment without active market                | 465,654               | -          | -                     | -          | Accounts and notes payable   | 8,014,484             | 5           | 7,114,164             | 5           |
| Accounts and notes receivable, net (Note 8)                     | 14,571,025            | 10         | 15,331,965            | 10         | Accounts payable due to related parties (Note 28)                    | 129,632               | -           | 145,982               | -           |
| Accounts receivable due from related parties (Note 28)          | 106,475               | -          | 83,541                | -          | Other payables (Notes 28 and 30)                                     | 11,224,440            | 7           | 9,822,578             | 6           |
| Other receivables (Note 28)                                     | 1,791,718             | 1          | 1,287,274             | 1          | Current tax liabilities  | 1,240,549             | 1           | 2,221,519             | 1           |
| Inventories (Note 9)  | 4,331,809             | 3          | 4,071,748             | 3          | Provisions (Note 18)   | 178,008               | -           | 202,873               | -           |
| Prepayments (Note 28)   | 506,343               | -          | 500,558               | -          | Advance receipts   | 2,790,314             | 2           | 2,637,194             | 2           |
| Assets held for sale  | 1,737                 | -          | -                     | -          | Long-term liabilities, current portion (Notes 16 and 17)             | 15,602,817            | 10          | 6,252,767             | 4           |
| Other financial assets (Notes 28 and 29)                        | 2,794,954             | 2          | 4,018,764             | 3          | Other current liabilities  | <u>2,040,632</u>      | <u>1</u>    | <u>2,384,515</u>      | <u>2</u>    |
| Other current assets  | <u>45,391</u>         | <u>-</u>   | <u>49,874</u>         | <u>-</u>   |  |                       |             |                       |             |
| Total current assets  | <u>32,351,117</u>     | <u>21</u>  | <u>34,280,112</u>     | <u>23</u>  | Total current liabilities  | <u>56,479,086</u>     | <u>36</u>   | <u>38,144,597</u>     | <u>25</u>   |
| <b>NON-CURRENT ASSETS</b>                                       |                       |            |                       |            | <b>NON-CURRENT LIABILITIES</b>                                       |                       |             |                       |             |
| Financial assets at fair value through profit or loss           | -                     | -          | 42,030                | -          | Financial liabilities at fair value through profit or loss (Note 17) | 9,961                 | -           | 41,961                | -           |
| Available-for-sale financial assets (Note 7)                    | 4,384,641             | 3          | 3,194,347             | 2          | Bonds payable (Note 17)  | 14,149,407            | 9           | 21,459,896            | 14          |
| Financial assets at cost  | 171,221               | -          | 188,548               | -          | Long-term borrowings (Note 16)                                       | 14,192,673            | 9           | 21,447,691            | 14          |
| Debt instrument investment without active market                | -                     | -          | 423,481               | -          | Provisions (Note 18)   | 1,371,869             | 1           | 1,305,688             | 1           |
| Investments accounted for using equity method (Notes 10 and 28) | 1,493,852             | 1          | 1,564,265             | 1          | Deferred tax liabilities (Note 23)                                   | 729,786               | 1           | 822,880               | 1           |
| Property, plant and equipment (Notes 5 and 12)                  | 41,603,421            | 27         | 42,415,229            | 28         | Net defined benefit liabilities (Note 19)                            | 443,044               | -           | 369,322               | -           |
| Investment properties, net (Note 13)                            | 2,964,035             | 2          | 2,951,079             | 2          | Guarantee deposits   | 978,816               | 1           | 887,163               | 1           |
| Concessions (Notes 5, 14 and 29)                                | 43,670,580            | 28         | 37,864,311            | 25         | Other non-current liabilities  | <u>656,511</u>        | <u>-</u>    | <u>711,672</u>        | <u>-</u>    |
| Goodwill (Notes 5 and 14)                                       | 15,845,930            | 10         | 15,845,930            | 10         |  |                       |             |                       |             |
| Other intangible assets, net (Notes 5 and 14)                   | 5,856,310             | 4          | 5,967,741             | 4          | Total non-current liabilities  | <u>32,532,067</u>     | <u>21</u>   | <u>47,046,273</u>     | <u>31</u>   |
| Deferred tax assets (Note 23)                                   | 820,244               | 1          | 708,656               | 1          |  |                       |             |                       |             |
| Other financial assets (Notes 28, 29 and 30)                    | 128,987               | -          | 125,953               | -          | Total liabilities  | <u>89,011,153</u>     | <u>57</u>   | <u>85,190,870</u>     | <u>56</u>   |
| Other non-current assets (Notes 15 and 28)                      | <u>5,232,416</u>      | <u>3</u>   | <u>5,805,723</u>      | <u>4</u>   | <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 20)</b>         |                       |             |                       |             |
| Total non-current assets  | <u>122,171,637</u>    | <u>79</u>  | <u>117,097,293</u>    | <u>77</u>  | Common stock   | 34,208,328            | 22          | 34,208,328            | 23          |
|   |                       |            |                       |            | Capital surplus  | 13,939,278            | 9           | 14,985,047            | 10          |
|   |                       |            |                       |            | Retained earnings  |                       |             |                       |             |
|   |                       |            |                       |            | Legal reserve  | 26,138,846            | 17          | 24,606,828            | 16          |
|   |                       |            |                       |            | Special reserve  | 690,034               | -           | 1,173,954             | 1           |
|   |                       |            |                       |            | Unappropriated earnings  | 14,735,424            | 10          | 15,850,111            | 10          |
|   |                       |            |                       |            | Other equity interests   | (362,703)             | -           | (690,034)             | -           |
|   |                       |            |                       |            | Treasury stock   | <u>(29,717,344)</u>   | <u>(19)</u> | <u>(29,717,344)</u>   | <u>(20)</u> |
|   |                       |            |                       |            | Total equity attributable to owners of the parent                    | 59,631,863            | 39          | 60,416,890            | 40          |
|   |                       |            |                       |            | NON-CONTROLLING INTERESTS (Note 20)                                  | <u>5,879,738</u>      | <u>4</u>    | <u>5,769,645</u>      | <u>4</u>    |
|   |                       |            |                       |            | Total equity   | <u>65,511,601</u>     | <u>43</u>   | <u>66,186,535</u>     | <u>44</u>   |
| <b>TOTAL</b>  | <u>\$ 154,522,754</u> | <u>100</u> | <u>\$ 151,377,405</u> | <u>100</u> | <b>TOTAL</b>   | <u>\$ 154,522,754</u> | <u>100</u>  | <u>\$ 151,377,405</u> | <u>100</u>  |

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

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|  | 2017                 |            | 2016                 |           |
|--|----------------------|------------|----------------------|-----------|
|  | Amount               | %          | Amount               | %         |
| OPERATING REVENUES (Notes 21 and 28)   | \$ 117,171,107       | 100        | \$ 116,647,498       | 100       |
| OPERATING COSTS (Notes 9, 28 and 32)   | <u>81,445,116</u>    | <u>70</u>  | <u>78,790,518</u>    | <u>68</u> |
| GROSS PROFIT FROM OPERATIONS   | <u>35,725,991</u>    | <u>30</u>  | <u>37,856,980</u>    | <u>32</u> |
| OPERATING EXPENSES (Notes 28 and 32)   |                      |            |                      |           |
| Marketing  | 12,256,098           | 11         | 12,977,366           | 11        |
| Administrative   | <u>5,246,817</u>     | <u>4</u>   | <u>5,283,030</u>     | <u>4</u>  |
| Total operating expenses   | <u>17,502,915</u>    | <u>15</u>  | <u>18,260,396</u>    | <u>15</u> |
| NET OTHER INCOME AND EXPENSES  | <u>869,336</u>       | <u>1</u>   | <u>423,182</u>       | <u>-</u>  |
| OPERATING INCOME   | <u>19,092,412</u>    | <u>16</u>  | <u>20,019,766</u>    | <u>17</u> |
| NON-OPERATING INCOME AND EXPENSES  |                      |            |                      |           |
| Other income (Notes 22 and 28)   | 396,068              | -          | 379,957              | -         |
| Other gains and losses, net (Notes 22 and 28)  | (1,252,614)          | (1)        | (586,636)            | -         |
| Finance costs (Note 22)  | (633,525)            | -          | (673,439)            | -         |
| Share of profit (loss) of associates accounted for using equity method (Note 10)           | <u>28,942</u>        | <u>-</u>   | <u>51,824</u>        | <u>-</u>  |
| Total non-operating income and expenses  | <u>(1,461,129)</u>   | <u>(1)</u> | <u>(828,294)</u>     | <u>-</u>  |
| PROFIT BEFORE TAX  | 17,631,283           | 15         | 19,191,472           | 17        |
| INCOME TAX EXPENSE (Note 23)   | <u>2,682,496</u>     | <u>2</u>   | <u>3,263,029</u>     | <u>3</u>  |
| PROFIT   | <u>14,948,787</u>    | <u>13</u>  | <u>15,928,443</u>    | <u>14</u> |
| OTHER COMPREHENSIVE INCOME (LOSS)  |                      |            |                      |           |
| Items that will not be reclassified subsequently to profit or loss                         |                      |            |                      |           |
| Re-measurements from defined benefit plans   | (81,799)             | -          | (98,443)             | -         |
| Share of other comprehensive income (loss) of associates accounted for using equity method | (510)                | -          | (472)                | -         |
| Items that may be reclassified subsequently to profit or loss                              |                      |            |                      |           |
| Exchange differences on translation  | (12,537)             | -          | (69,331)             | -         |
| Unrealized gain (loss) on available-for-sale financial assets                              | 352,025              | -          | 533,608              | -         |
| Share of other comprehensive income (loss) of associates accounted for using equity method | <u>(41,885)</u>      | <u>-</u>   | <u>(14,059)</u>      | <u>-</u>  |
| Other comprehensive income (loss) (after tax)  | <u>215,294</u>       | <u>-</u>   | <u>351,303</u>       | <u>-</u>  |
| COMPREHENSIVE INCOME   | <u>\$ 15,164,081</u> | <u>13</u>  | <u>\$ 16,279,746</u> | <u>14</u> |
| PROFIT ATTRIBUTABLE TO:  |                      |            |                      |           |
| Owners of the parent   | \$ 14,192,176        | 12         | \$ 15,320,187        | 14        |
| Non-controlling interests  | <u>756,611</u>       | <u>1</u>   | <u>608,256</u>       | <u>-</u>  |
|  | <u>\$ 14,948,787</u> | <u>13</u>  | <u>\$ 15,928,443</u> | <u>14</u> |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO:  |                      |            |                      |           |
| Owners of the parent   | \$ 14,437,341        | 12         | \$ 15,706,230        | 14        |
| Non-controlling interests  | <u>726,740</u>       | <u>1</u>   | <u>573,516</u>       | <u>-</u>  |
|  | <u>\$ 15,164,081</u> | <u>13</u>  | <u>\$ 16,279,746</u> | <u>14</u> |
| EARNINGS PER SHARE (Note 24)   |                      |            |                      |           |
| Basic earnings per share   | <u>\$ 5.21</u>       |            | <u>\$ 5.63</u>       |           |
| Diluted earnings per share   | <u>\$ 5.06</u>       |            | <u>\$ 5.60</u>       |           |

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

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
(In Thousands of New Taiwan Dollars)**

|  | Equity Attributable to Owners of the Parent |                 |                   |                 |                         |                                     |   |                |                |              |                           |              |
|--|---|-----------------|-------------------|-----------------|-------------------------|-------------------------------------|---|----------------|----------------|--------------|---------------------------|--------------|
|  | Common Stock                                | Capital Surplus | Retained Earnings |                 |                         | Other Equity Interests              |   |                | Treasury Stock | Total        | Non-controlling Interests | Total Equity |
|  |   |                 | Legal Reserve     | Special Reserve | Unappropriated Earnings | Exchange Differences on Translation | Unrealized Gain (Loss) on Available-for-sale Financial Assets |                |                |              |                           |              |
| BALANCE, JANUARY 1, 2016   | \$ 34,208,328                               | \$ 14,586,376   | \$ 23,038,209     | \$ 302,986      | \$ 18,311,104           | \$ 22,386                           | \$ (1,196,340)  | \$(29,717,344) | \$ 59,555,705  | \$ 5,736,019 | \$ 65,291,724             |              |
| Distribution of 2015 earnings  |   |                 |                   |                 |                         |                                     |   |                |                |              |                           |              |
| Legal reserve  | -   | -               | 1,568,619         | -               | (1,568,619)             | -                                   | -   | -              | -              | -            | -                         |              |
| Special reserve  | -   | -               | -                 | 870,968         | (870,968)               | -                                   | -   | -              | -              | -            | -                         |              |
| Cash dividends   | -   | -               | -                 | -               | (15,243,655)            | -                                   | -   | -              | (15,243,655)   | -            | (15,243,655)              |              |
| Total distribution of earnings   | -   | -               | 1,568,619         | 870,968         | (17,683,242)            | -                                   | -   | -              | (15,243,655)   | -            | (15,243,655)              |              |
| Profit for the year ended December 31, 2016                            | -   | -               | -                 | -               | 15,320,187              | -                                   | -   | -              | 15,320,187     | 608,256      | 15,928,443                |              |
| Other comprehensive income (loss) for the year ended December 31, 2016 | -   | -               | -                 | -               | (97,877)                | (31,519)                            | 515,439   | -              | 386,043        | (34,740)     | 351,303                   |              |
| Total comprehensive income (loss) for the year ended December 31, 2016 | -   | -               | -                 | -               | 15,222,310              | (31,519)                            | 515,439   | -              | 15,706,230     | 573,516      | 16,279,746                |              |
| Equity component of convertible bonds issued by TWM                    | -   | 400,564         | -                 | -               | -                       | -                                   | -   | -              | 400,564        | -            | 400,564                   |              |
| Changes in equity of associates accounted for using equity method      | -   | (1,893)         | -                 | -               | (61)                    | -                                   | -   | -              | (1,954)        | (75)         | (2,029)                   |              |
| Cash dividends paid to non-controlling interests of subsidiaries       | -   | -               | -                 | -               | -                       | -                                   | -   | -              | -              | (539,625)    | (539,625)                 |              |
| Decrease in non-controlling interests                                  | -   | -               | -                 | -               | -                       | -                                   | -   | -              | -              | (190)        | (190)                     |              |
| BALANCE, DECEMBER 31, 2016   | 34,208,328                                  | 14,985,047      | 24,606,828        | 1,173,954       | 15,850,111              | (9,133)                             | (680,901)   | (29,717,344)   | 60,416,890     | 5,769,645    | 66,186,535                |              |
| Distribution of 2016 earnings  |   |                 |                   |                 |                         |                                     |   |                |                |              |                           |              |
| Legal reserve  | -   | -               | 1,532,018         | -               | (1,532,018)             | -                                   | -   | -              | -              | -            | -                         |              |
| Reversal of special reserve  | -   | -               | -                 | (483,920)       | 483,920                 | -                                   | -   | -              | -              | -            | -                         |              |
| Cash dividends   | -   | -               | -                 | -               | (14,176,599)            | -                                   | -   | -              | (14,176,599)   | -            | (14,176,599)              |              |
| Total distribution of earnings   | -   | -               | 1,532,018         | (483,920)       | (15,224,697)            | -                                   | -   | -              | (14,176,599)   | -            | (14,176,599)              |              |
| Cash dividends from capital surplus                                    | -   | (1,067,056)     | -                 | -               | -                       | -                                   | -   | -              | (1,067,056)    | -            | (1,067,056)               |              |
| Profit for the year ended December 31, 2017                            | -   | -               | -                 | -               | 14,192,176              | -                                   | -   | -              | 14,192,176     | 756,611      | 14,948,787                |              |
| Other comprehensive income (loss) for the year ended December 31, 2017 | -   | -               | -                 | -               | (82,166)                | (7,366)                             | 334,697   | -              | 245,165        | (29,871)     | 215,294                   |              |
| Total comprehensive income (loss) for the year ended December 31, 2017 | -   | -               | -                 | -               | 14,110,010              | (7,366)                             | 334,697   | -              | 14,437,341     | 726,740      | 15,164,081                |              |
| Changes in equity of associates accounted for using equity method      | -   | 3,753           | -                 | -               | -                       | -                                   | -   | -              | 3,753          | -            | 3,753                     |              |
| Changes in other capital surplus                                       | -   | 17,534          | -                 | -               | -                       | -                                   | -   | -              | 17,534         | -            | 17,534                    |              |
| Cash dividends paid to non-controlling interests of subsidiaries       | -   | -               | -                 | -               | -                       | -                                   | -   | -              | -              | (616,647)    | (616,647)                 |              |
| BALANCE, DECEMBER 31, 2017   | \$ 34,208,328                               | \$ 13,939,278   | \$ 26,138,846     | \$ 690,034      | \$ 14,735,424           | \$ (16,499)                         | \$ (346,204)  | \$(29,717,344) | \$ 59,631,863  | \$ 5,879,738 | \$ 65,511,601             |              |

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

# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

|   | 2017              | 2016              |
|---|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                   |                   |
| Profit before tax   | \$ 17,631,283     | \$ 19,191,472     |
| Adjustments   |                   |                   |
| Depreciation expense  | 10,294,267        | 10,650,126        |
| Amortization expense  | 3,395,219         | 3,201,689         |
| Loss on disposal of property, plant and equipment, net                                  | 350,074           | 457,819           |
| Provision for bad debt expense  | 322,510           | 385,004           |
| Finance costs   | 633,525           | 673,439           |
| Interest income   | (164,036)         | (164,174)         |
| Dividend income   | (72,407)          | (80,168)          |
| Share of profit of associates accounted for using equity method                         | (28,942)          | (51,824)          |
| Valuation loss on financial assets and liabilities at fair value through profit or loss | 7,319             | 118,234           |
| Impairment loss on financial assets at cost   | 6,180             | 2,209             |
| Gain on disposal of investments   | (3,000)           | -                 |
| Others  | 40,300            | 13,441            |
| Changes in operating assets and liabilities   |                   |                   |
| Accounts and notes receivable   | 841,979           | 187,756           |
| Accounts receivable due from related parties  | (22,934)          | (21,438)          |
| Other receivables   | (292,690)         | (106,626)         |
| Inventories   | (260,061)         | 112,784           |
| Prepayments   | (6,619)           | (62,050)          |
| Other current assets  | (2,077)           | 1,502             |
| Other financial assets  | (45)              | 5,254             |
| Accounts and notes payable  | 981,373           | 703,759           |
| Accounts payable due to related parties   | (16,350)          | 54,496            |
| Other payables  | 772,736           | (358,829)         |
| Provisions  | (14,960)          | 54,911            |
| Advance receipts  | 152,272           | 348,399           |
| Other current liabilities   | (343,883)         | 542,415           |
| Net defined benefit liabilities   | (24,831)          | (23,920)          |
| Net cash inflows generated by operating activities                                      | 34,176,202        | 35,835,680        |
| Interest received   | 1,314             | 1,374             |
| Interest paid   | (1,288)           | (2,414)           |
| Income taxes paid   | (3,855,943)       | (4,004,476)       |
| Net cash generated by operating activities  | <u>30,320,285</u> | <u>31,830,164</u> |

(Continued)



# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

|  | 2017                | 2016                |
|--|---------------------|---------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |                     |                     |
| Acquisition of property, plant and equipment                     | \$ (9,181,491)      | \$ (9,932,672)      |
| Acquisition of intangible assets                                 | (8,979,630)         | (274,594)           |
| Increase in prepayments for equipment                            | (235,276)           | (280,998)           |
| Proceeds from disposal of property, plant and equipment          | 32,029              | 29,416              |
| Advanced receipts from assets disposals                          | 456                 | -                   |
| Acquisition of available-for-sale financial assets               | (1,030,865)         | (200,000)           |
| Proceeds from disposal of available-for-sale financial assets    | 320,692             | -                   |
| Proceeds from disposal of financial assets at cost               | 9,081               | -                   |
| Proceeds from capital return of financial assets at cost         | 4,374               | 1,944               |
| Acquisition of investments accounted for using equity method     | -                   | (30,000)            |
| Increase in refundable deposits                                  | (208,217)           | (212,008)           |
| Decrease in refundable deposits                                  | 197,587             | 195,335             |
| Increase in other financial assets                               | (98,005)            | (2,861,536)         |
| Decrease in other financial assets                               | 1,319,338           | 1,823,478           |
| Interest received  | 85,677              | 87,859              |
| Dividends received   | <u>91,942</u>       | <u>125,820</u>      |
| Net cash used in investing activities                            | <u>(17,672,308)</u> | <u>(11,527,956)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |                     |                     |
| Increase (decrease) in short-term borrowings                     | 2,300,252           | (6,853,000)         |
| Increase (decrease) in short-term notes and bills payable        | 5,595,382           | (10,792,680)        |
| Proceeds from issue of convertible bonds                         | -                   | 9,989,130           |
| Repayments of bond payables                                      | (2,900,000)         | -                   |
| Proceeds from long-term borrowings                               | 1,000,000           | 13,130,000          |
| Repayment of long-term borrowings                                | (3,407,080)         | (10,282,000)        |
| Increase in guarantee deposits received                          | 247,099             | 295,340             |
| Decrease in guarantee deposits received                          | (154,635)           | (204,589)           |
| Cash dividends paid to non-controlling interests of subsidiaries | (15,860,290)        | (15,783,271)        |
| Interest paid  | <u>(538,222)</u>    | <u>(669,893)</u>    |
| Net cash used in financing activities                            | <u>(13,717,494)</u> | <u>(21,170,963)</u> |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS</b>   | <u>(3,456)</u>      | <u>(6,150)</u>      |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                 | (1,072,973)         | (874,905)           |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>            | <u>7,704,517</u>    | <u>8,579,422</u>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                  | <u>\$ 6,631,544</u> | <u>\$ 7,704,517</u> |

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

(Concluded)

**Taiwan Mobile Co., Ltd.**  
**2017 Earnings Distribution Proposal**

Unit: NT\$

| Item   | Amount           |
|--|------------------|
| Unappropriated retained earnings as of December 31, 2016 | 625,413,659      |
| Actuarial losses of 2017                                 | (82,165,418)     |
| Unappropriated retained earnings - Adjusted              | 543,248,241      |
| Net income of 2017                                       | 14,192,175,846   |
| Legal reserve appropriation (10%)                        | (1,419,217,585)  |
| Reversal of special reserve appropriation                | 327,330,248      |
| Retained earnings available for distribution             | 13,643,536,750   |
| Appropriation:   |                  |
| Cash dividends (Note 1)                                  | (13,610,406,130) |
| Balance of unappropriated retained earnings              | 33,130,620       |

Note 1: Refer to the second proposed resolution regarding the distribution of the 2017 retained earnings.

### Articles of Incorporation

#### - Before and After Amendments for Comparison

| Article | Amended  | Original  | Explanation                         |
|---------|--|---|-------------------------------------|
| 2       | <p>The scope of business of the Company shall be:</p> <ol style="list-style-type: none"> <li>1. F401021 Regulated Telecom Radio Frequency Equipment and Materials Import;</li> <li>2. G901011 Type I Telecommunications Enterprise;</li> <li>3. G902011 Type II Telecommunications Enterprise;</li> <li>4. I301040 Third-Party Payment;</li> <li>5. I301020 Data Processing Services</li> <li>6. J303010 Magazine and Periodical Publication;</li> <li>7. J304010 Book Publishers;</li> <li>8. J305010 Audio Tape and Record Publishers;</li> <li>9. J399010 Software Publication</li> <li>10. J399990 Other Publishers Not Elsewhere Classified;</li> <li>11. F108031 Wholesale of Drugs, Medical Goods;</li> <li>12. F208031 Retail Sale of Medical Equipment;</li> <li>13. <u>E601010 Electric Appliance Construction;</u></li> <li>14. <u>E701010 Telecommunications Construction;</u></li> <li>15. <u>CC01080 Electronic Parts and Components Manufacturing;</u></li> <li>16. <u>E601020 Electric Appliance Installation;</u></li> <li>17. <u>E602011 Frozen and Air-conditioning Engineering</u></li> <li>18. <u>E603090 Illumination Equipment Construction;</u></li> <li>19. <u>IG03010 Energy Technical Services;</u></li> <li>20. <u>H703100 Real Estate Rental and</u></li> </ol> | <p>The scope of business of the Company shall be:</p> <ol style="list-style-type: none"> <li>1. F401021 Regulated Telecom Radio Frequency Equipment and Materials Import;</li> <li>2. G901011 Type I Telecommunications Enterprise;</li> <li>3. G902011 Type II Telecommunications Enterprise;</li> <li>4. I301040 Third-Party Payment;</li> <li>5. I301020 Data Processing Services</li> <li>6. J303010 Magazine and Periodical Publication;</li> <li>7. J304010 Book Publishers;</li> <li>8. J305010 Audio Tape and Record Publishers;</li> <li>9. J399010 Software Publication;</li> <li>10. J399990 Other Publishers Not Elsewhere Classified;</li> <li>11. F108031 Wholesale of Drugs, Medical Goods;</li> <li>12. F208031 Retail Sale of Medical Equipment;</li> <li>13. ZZ99999 Any other business (other than those approved by the relevant authorities) not prohibited or restricted by law.</li> </ol> | <p>Added the scope of business.</p> |

| Article | Amended   | Original  | Explanation  |
|---------|---|---|--|
|         | <p><u>Leasing:</u></p> <p><u>21. JE01010 Rental and Leasing Business:</u><br/><u>and</u></p> <p><u>22. ZZ99999 Any other business (other than those approved by the relevant authorities) not prohibited or restricted by law.</u></p>  |   |  |
| 34      | <p>These Articles of Incorporation were agreed to and signed on 30 January 1997. ...</p> <p>The twenty- third amendment was made on 21 June 2013.</p> <p>The twenty- fourth amendment was made on 12 June 2014.</p> <p>The twenty- fifth amendment was made on 15 June 2016.</p> <p>The twenty- sixth amendment was made on 14 June 2017.</p> <p><u>The twenty- seventh amendment was made on 12 June 2018.</u></p> | <p>These Articles of Incorporation were agreed to and signed on 30 January 1997. ...</p> <p>The twenty- third amendment was made on 21 June 2013.</p> <p>The twenty- fourth amendment was made on 12 June 2014.</p> <p>The twenty- fifth amendment was made on 15 June 2016.</p> <p>The twenty- sixth amendment was made on 14 June 2017.</p> | <p>Added the amendment sequence number, and the date of the latest amendment to the Articles of Incorporation.</p> |



## Articles of Incorporation

### Chapter I General Provisions

- Article 1** The Company shall be incorporated as a company limited by shares, under the Company Act of the Republic of China. The name of the Company shall be 台灣大哥大股份有限公司.
- Article 2** The scope of business of the Company shall be:
1. F401021 Regulated Telecom Radio Frequency Equipment and Materials Import;
  2. G901011 Type I Telecommunications Enterprise;
  3. G902011 Type II Telecommunications Enterprise;
  4. I301040 Third-Party Payment;
  5. I301020 Data Processing Services;
  6. J303010 Magazine and Periodical Publication;
  7. J304010 Book Publishers;
  8. J305010 Audio Tape and Record Publishers;
  9. J399010 Software Publication;
  10. J399990 Other Publishers Not Elsewhere Classified;
  11. F108031 Wholesale of Drugs, Medical Goods;
  12. F208031 Retail Sale of Medical Equipment;
  13. E601010 Electric Appliance Construction;
  14. E701010 Telecommunications Construction;
  15. CC01080 Electronic Parts and Components Manufacturing;
  16. E601020 Electric Appliance Installation;
  17. E602011 Frozen and Air-conditioning Engineering
  18. E603090 Illumination Equipment Construction;
  19. IG03010 Energy Technical Services;
  20. H703100 Real Estate Rental and Leasing;
  21. JE01010 Rental and Leasing Business; and
  22. ZZ99999 Any other business (other than those approved by the relevant authorities) not prohibited or restricted by law.
- Article 3** The Company may act as a guarantor where necessary for the purpose of carrying out its business.
- Article 4** The Company shall have its registered head office in Taipei, Taiwan, Republic of China and shall, where necessary and with a resolution to do so by the Board of Directors (“Board”), set up branch offices either within or outside the territory of the Republic of China.
- Article 5** (Deleted)
- Article 6** The Company’s aggregate investment may exceed forty percent of its paid-up capital.

### Chapter II Capital Stock

- Article 7** The total registered capital stock of the Company shall be Sixty Billion New Taiwan Dollars (NT\$60,000,000,000), divided into Six Billion (6,000,000,000) shares with a par value of Ten New Taiwan Dollars (NT\$10) per share. Any unissued shares shall be issued, where necessary, upon the approval of the Board.  
Two hundred and fifty million shares of the above total capital stock of the Company with a par value of Ten New Taiwan Dollars (NT\$10) per share shall be retained for the issuance of employee stock options, which may be issued from time to time upon the approval of the Board.
- Article 7-1** (Deleted)
- Article 7-2** The Company may, upon the approval at a shareholders' meeting which is attended by shareholders holding at least 50% of the issued capital stock, by more than two-thirds of the shareholders attending the meeting, transfer the treasury shares to its employees at a price lower than the average buyback price.
- Article 8** Share certificates of the Company shall be issued only if they bear the names of the shareholders, be appropriately serial numbered, be signed by or affixed with the personal seals of three or more Directors of the Company, and be duly signed and authenticated by the responsible authority or a share registry endorsed by the regulatory authority. The Company is exempted from issuing any physical share certificates for the shares issued. A physical share certificate may be issued for all the new shares issued at a particular point in time, provided that the share certificate shall be placed in custody or for registration with a centralized depository.
- Article 9** Shareholders shall provide their names, addresses, and specimens of their personal seals to the Company for record. The same shall also be provided upon variation of any of the above details. Where any personal seals of the shareholders are lost, the specimens of the personal seals shall only be replaced with new specimens if the shareholders report the loss to the Company.
- Article 10** Upon transfer of shares, the transferor and transferee shall complete an application for registration of the transfer and affix their personal seals on the application. The application and the associated share certificates, affixed with the personal seals of the transferor and transferee on the back page, together with other documents evidencing the transfer, shall be submitted to the Company for the purpose of registration of the transfer. The transferee shall not have a right of action against the Company with respect to matters associated with or arising from the transfer if the name of the transferee is not recorded on the share certificates and the name and address of the transferee are not entered onto the register of shareholders of the Company.
- Article 11** Where a share certificate is lost, the shareholder shall immediately file an application to report the loss and submit the same to the Company for audit and record. The shareholder shall also apply to the competent court for a judgment declaring the original share certificate invalid, in accordance with the procedures for public announcement of invalidation of a certificate under the Code of Civil Procedures. After obtaining the judgment from the court, the shareholder shall apply to the Company for the share certificate to be reissued, with the original copy of the aforementioned court judgment. Where a share certificate is worn out or defaced and the shareholder wishes to apply for a replacement of the share certificate, the shareholder shall apply to the Company for the replacement by submitting to the

Company the original copy of the share certificate with a completed application for replacement of share certificate.

**Article 12** The Company shall charge for administrative fees and stamp duties for the reissue of share certificates due to loss of the original share certificates or for other reasons.

**Article 13** Registration of share transfers shall be suspended for a 60–day period immediately prior to a general meeting of the shareholders; for a 30–day period immediately prior to an extraordinary meeting of the shareholders; and for a 5–day period immediately prior to the record date for distribution of dividend, bonuses or other benefits.

**Article 14** Shareholders shall submit specimens of their personal seals to the Company for record. The same personal seals shall be used by the shareholders for the purposes of claiming their dividends and when exercising their rights as shareholders via written documents.

### **Chapter III Shareholders' Meetings**

**Article 15** There are two types of shareholders' meetings, the general meetings and the extraordinary meetings.

- (1) General Meetings – General meetings shall be held within 6 months of the end of each fiscal year, and shall be convened by the Board by no less than 30 days' prior notice to the shareholders.
- (2) Extraordinary Meetings – Extraordinary meetings shall be convened in accordance with the relevant laws, by no less than 15 days' prior notice to the shareholders.

**Article 16** A shareholder is entitled to appoint a proxy to attend and vote on behalf of the shareholder at a shareholders' meeting by completing and submitting to the Company a form prescribed by the Company stating the scope of authorization.

**Article 17** The Chairman or, in his absence, the Vice Chairman, shall preside as the chairman of the shareholders' meetings of the Company. If neither the Chairman nor the Vice Chairman shall be present at the meetings, the Chairman shall designate one of the Directors as the chairman, failing which, the Directors present at the meetings shall elect the chairman from amongst themselves.

**Article 18** Except under the circumstances set forth in Article 179 of the Company Act, shareholders of the Company shall be entitled to one vote for each share held at the shareholders' meeting.

**Article 18-1** Shareholders may exercise their voting rights in written or electronic forms at the shareholders' meetings.

**Article 19** Unless otherwise provided by the Company Act, all resolutions of a shareholders meeting of the Company shall be passed, at a meeting attended by shareholders holding at least 50% of the issued capital stock, by more than 50% of the shareholders attending the meeting.

**Article 20** Resolutions at a shareholders' meeting shall be recorded in a meeting minute signed by or affixed with the personal seal of the chairman. The meeting minute shall be

distributed to all the shareholders of the Company by public announcement within 20 days after the shareholders' meeting. The meeting minute shall contain information such as the time and venue of the meeting, name of the chairman of the meeting, manner in which resolutions are passed, and a summary and outcome of all proceedings of the meeting.

## **Chapter IV Directors**

**Article 21** There shall be 9 to 11 Directors of the Company. Directors shall be persons with legal capacity and shall be elected by the shareholders at the shareholders' meeting. The tenure of the offices of the Directors shall be 3 years and the Directors shall be eligible for re-elections. The election of Directors is adopted by candidate nomination system per Article 192-1 of the Company Act. Not more than half of the Directors of the Company shall have the following relationships among them:

1. A spousal relationship.
2. A familial relationship within the second degree of kinship.

The Chairman and the Vice Chairman shall be elected from amongst the Directors by a simple majority of the Directors present at the Board meetings attended by at least two thirds of all the Directors.

The Company may purchase liability insurance for directors with respect to their liabilities resulting from exercising their duties during their terms of occupancy.

**Article 21-1** According to Article 14-2 of the Securities and Exchange Act, among the directors, there shall be no less than 3 independent directors. The independent directors shall together constitute the Audit Committee and replace the role of the supervisors.

**Article 22** If one third of the offices of the Directors become vacant, the Board shall convene an extraordinary meeting of the shareholders within 60 days to re-elect and re-appoint Directors to fill the vacancies. The tenure of offices so filled shall be the balance of the term of the relevant offices.

**Article 23** If any new Directors are not elected in time before the expiration of the tenure of the relevant existing offices of the Directors, the tenure of the existing offices shall be extended until such time when the new Directors duly elected to assume their offices.

**Article 24** The business policy and other imperative matters of the Company shall be determined by the Board. The Board shall be entitled to form different functional committees, and determine the duties and responsibilities of the committees. Except for the first meeting of each term of the Board which shall be convened by the Director who received a ballot representing the largest number of votes at the election of Directors, Board meetings shall be convened by the Chairman, who shall also be the chairman of the meetings. If the Chairman is unable to perform his duties for any reasons, the Vice Chairman shall act on his behalf. If the Vice Chairman is also absent from the meetings, the Chairman shall designate one of the Directors to act on his behalf, failing which, the Directors present at the meetings shall elect a person from amongst themselves to act on behalf of the Chairman.

The notice of the Board meetings may be made and delivered by letter, email or facsimile.

**Article 25** Unless otherwise provided for in the Company Act, all resolutions of the Board shall



be passed by a simple majority of the Directors present at the Board meetings attended by at least 50% of all the Directors. If a Director is unable to attend the meeting, he shall be entitled to authorize another Director to represent him at the meeting by executing a power of attorney stating therein the scope of authorization with respect to each matter proposed to be dealt with at the meeting, however, a Director attending the meeting shall not be authorized to represent more than one absent Directors at the meeting. If any Director attends the Board meeting by video conference, it is deemed that such Director has participated in person.

**Article 26** All proceedings at a Board meeting shall be recorded in a meeting minute signed by or affixed with the personal seal of the chairman of the meeting. The meeting minute shall be distributed to all Directors of the Company within 20 days after the Board meeting. The meeting minute shall contain information such as the time and venue of the meeting, name of the chairman of the meeting, manner in which resolutions are passed, and a summary and outcome of all proceedings of the meeting.

**Article 27** The Audit Committee shall exercise their powers and other relevant matters in accordance with the relevant laws, regulations or the Company's Articles of Incorporation.

**Article 27-1** (Deleted)

**Article 27-2** (Deleted)

**Article 27-3** The Board is authorized to decide the compensation to directors (including independent directors), according to his/her contribution to the operation and involvement in the operation of the Company, comparable to peer's levels, transportation and other allowance included.

## **Chapter V Managers and Officers**

**Article 28** There shall be several Presidents and Vice Presidents of the Company. The President shall be nominated by the Chairman; and his/her appointment or removal shall be approved by more than 50% of the Directors. The Vice Presidents shall be nominated by the President; and their appointment or removal shall be approved by more than 50% of the Directors.

**Article 29** The Company may, by resolution of the Board, retain consultants or key officers.

**Article 29-1** The Company shall purchase liability insurance for key management based on their duties and terms.

## **Chapter VI Financial Reports**

**Article 30** The fiscal year of the Company shall begin on 1 January and end on 31 December of each year. The Board shall prepare the following reports after the end of each fiscal year, and present to the shareholders at the general meeting of the shareholders for their ratifications in accordance with the legal procedure:

- (1) Business Report
- (2) Financial Statements
- (3) Proposal for distribution of earnings to shareholders or recovery of prior year losses.

**Article 30-1** If the Company has profits in a fiscal year, it shall set aside 1% to 3% of the profits as employee bonuses and not more than 0.3% of the profits as director compensation. However, if the Company has accumulated losses, it shall first reserve a certain amount for offsetting losses, then allocate for the employee bonuses and director compensation proportionally from the remaining amount. Qualification requirements of employees entitled to receive shares or cash set for in the above paragraph shall be applied to the employees of subsidiaries who meet certain requirements.

**Article 31** In the event that the Company, according to the final settlement, earns profits in a fiscal year, such profits shall first be set aside to pay the applicable taxes, offset losses, set aside for legal reserve pursuant to laws and regulations, unless the legal reserve has reached the Company's total paid-up capital. The remaining profits shall be set aside for special reserve in accordance with the laws, regulations, or the business requirements. Any further remaining profits plus unappropriated earnings shall be distributed in accordance with the proposal submitted by the Board, for approval at a shareholders' meeting.

**Article 31-1** The Company adopts a dividend distribution policy whereby only surplus profits of the Company shall be distributed to shareholders. That is, only the surplus profits, after setting aside amounts for retained earnings based on the Company's capital budget plan, shall be distributed as cash dividend. The value of stock dividend in a particular year shall not be more than 80% of the value of dividend distributed for that year. The amount of the distributable dividend, the forms in which dividend shall be distributed and the ratios thereto, shall depend on the actual profits and cash positions of the Company and shall be approved by resolutions of the Board, who shall, upon such approval, recommend the same to the shareholders for approval by resolution at the shareholders' meetings.

**Article 32** The internal organization and the detailed procedures relevant to the business operation of the Company shall be separately determined by the Board.

**Article 33** Matters not specifically provided for in these Articles of Incorporation shall be governed by the Company Act and any other relevant laws.

**Article 34** The Articles of Incorporation were agreed to and signed on January 30, 1997.  
The first amendment was made on February 18, 1997.  
The second amendment was made on February 22, 1997.  
The third amendment was made on April 2, 1997.  
The fourth amendment was made on August 30, 1997.  
The fifth amendment was made on December 12, 1997.  
The sixth amendment was made on March 21, 1998.  
The seventh amendment was made on June 23, 1998.  
The eighth amendment was made on February 3, 1999.  
The ninth amendment was made on June 22, 1999.

The tenth amendment was made on March 6, 2000.  
The eleventh amendment was made on March 30, 2001.  
The twelfth amendment was made on March 30, 2001.  
The thirteenth amendment was made on April 26, 2002.  
The fourteenth amendment was made on June 25, 2003.  
The fifteenth amendment was made on June 15, 2004.  
The sixteenth amendment was made on June 14, 2005.  
The seventeenth amendment was made on June 15, 2006.  
The eighteenth amendment was made on June 15, 2007, except for the Article 7-2,  
which shall be effective on January 1, 2008  
The nineteenth amendment was made on June 13, 2008.  
The twentieth amendment was made on June 19, 2009.  
The twenty-first amendment was made on June 15, 2011.  
The twenty-second amendment was made on June 22, 2012.  
The twenty- third amendment was made on June 21, 2013.  
The twenty- fourth amendment was made on 12, June 2014.  
The twenty- fifth amendment was made on 15, June 2016.  
The twenty- sixth amendment was made on 14, June 2017.  
The twenty- seventh amendment was made on 12 June 2018.



**Taiwan Mobile Co., Ltd.**

**Rules for Election of the Directors**

Officially resolved in the Founders' Meeting held on January 30, 1997  
First amendment was approved by the Shareholders Meeting on April 26, 2002  
Second amendment was approved by Shareholders Meeting on June 15, 2007  
Third amendment was approved by Shareholders Meeting on June 21, 2013

- Article 1 These Regulations are duly enacted in accordance with Article 21 of the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" in an effort to incorporate a fair, just, and open procedure for the election of directors.
- Article 2 The election of the Company's directors, unless otherwise provided in the applicable laws, regulations, or the Articles of Incorporation, shall be conducted in accordance with these Regulations.
- Article 3 The election of the Company's directors shall take into account the arrangement of the board of directors. The board members shall have the necessary knowledge, skill, and experience for performing their duties. The board of directors shall have the following abilities:
1. judgment on operations
  2. accounting and financial analysis
  3. business management
  4. crisis management
  5. industrial knowledge
  6. global view
  7. leadership
  8. decision making
- Article 4 (Delete)
- Article 5 The independent directors of the Company shall meet one of the following professional qualification requirements, together with at least five years working experience:
1. An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college, or university;
  2. A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company.
  3. Working experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.
- A person to whom any of the following circumstances applies may not serve as an independent director, or if already serving in such capacity, shall ipso facto be dismissed:

1. Any of the circumstances in the subparagraphs of Article 30 of the Company Act.
2. Elected in the capacity of the government, a juristic person, or a representative thereof, as provided in Article 27 of the Company Act.
3. Any violation of the independent director qualification requirements set out in the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”.

Article 6 Two years before being elected or during the term of office, an independent director of the Company may not have any of the following:

1. An employee of the Company or any of its affiliates.
2. A director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares.
3. A natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under other names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
4. A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings.
6. A director, supervisor, officer, or shareholder holding five percent or more shares of a specified company or institution that has a financial or business relationship with the Company.
7. A professional individual or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliates of the Company, or a spouse thereof.

The preceding paragraph in relation to "two years before being elected" does not apply where an independent director of the Company has served as an independent director of the company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the company, as stated in subparagraph 2 or 6 of the preceding paragraph, but is currently no longer in that position.

No independent director of the Company may concurrently serve as an independent director of more than three other public companies.

Article 7 The election of the directors of the Company is subject to the provisions of Article 192-1 of the Company Act in that a candidate nomination system shall be adopted, that such system shall be expressly stated in the Articles of Incorporation of the Company, and that shareholders shall elect directors from among those listed in the slate of director candidates.

The Company shall, prior to the book closure date before the convening of the shareholders’ meeting, publish a notice specifying a period for receiving nominations of the director candidates, the number of directors to be elected, the place for receiving such nominations, and other necessary matters; the period for receiving nominations shall be

no less than 10 days.

The Company may present a slate of director candidates nominated by the methods set out below, and, upon evaluation by the board of directors that all candidates so nominated are qualified director candidates, submit it to the shareholders' meeting for elections:

1. A shareholder holding one percent or more of the total number of issued shares may present a slate of director candidates in writing to the Company; the number of nominees may not exceed the number of directors to be elected.
2. The board of directors presents a slate of director candidates; the number of nominees may not exceed the number of directors to be elected.
3. Other methods designated by the authority.

When providing a recommended slate of director candidates under the preceding paragraph, a shareholder or the board of directors shall include in the documentation attached thereto each nominee's name, educational background, working experience, a written undertaking indicating the nominee's consent to serve as a director if elected as such, a written statement that none of the circumstances in Article 30 of the Company Act exists, and other relevant documentary proof.

When calling a shareholders' meeting for the purpose of director elections, the board of directors, or other person having the authority to call a shareholders' meeting, shall review the qualifications of each director nominee; except under any of the following circumstances, all qualified nominees shall be included in the slate of director candidates:

1. the nominating shareholder submits the nomination at a time not within the published period for receiving nominations.
2. the shareholding of the nominating shareholder holds less than one percent, at the time of book closure, of the Company under Article 165, paragraph 2 or 3 of the Company Act.
3. the number of nominees exceeds the number of directors to be elected.
4. the relevant documentary proof required under the preceding paragraph is not attached.

The procedure of reviewing the director nominees shall be recorded and retained for at least one year. However, if any shareholder files a lawsuit regarding the election of the directors, the record shall be retained until the lawsuit ends.

The Company shall, forty days prior to the shareholders' meeting date or twenty-five days prior to the extra-ordinary shareholders' meeting date, announce publicly the recommended slate of director candidates and each nominee's name, educational background, working experience, and the amount of shares each nominee owns. The Company shall also inform the result of review to the nominating shareholder and, for the nominee(s) not included in the slate of directors, the Company shall provide the reasons.

**Article 8** The Company's directors shall be elected by means of single-named cumulative ballots method. Each share is entitled to have votes equivalent to the number of directors to be elected, and the number of votes may be used to elect one candidate or be allocated among several candidates.

- Article 9 According to the seats set forth in the Articles of Incorporation, the voting rights for the independent directors or non-independent directors shall be counted separately. In the election of the directors, the candidates who acquired more votes should win the seats; and, if two or more persons receive the same number of votes, resulting in the total number of persons to be elected exceeding the number specified in the Company's Articles of Incorporation, those persons who have received the same number of votes shall draw straws to decide who is elected. If any person who has received the same number of votes as others, but is absent at the meeting, the chairman shall draw the straw on the absent person's behalf.
- Article 10 Before beginning of the election, the chairman shall designate a certain number of persons who are also shareholders to check, count ballots and perform the relevant duties. The ballot box used for voting shall be prepared by the board of directors and checked in public by the person assigned to check the ballots before voting.
- Article 11 The Board of Directors shall prepare the election ballots which equal to the number of directors to be elected with the number of voting rights. The ballots shall be given to the shareholders present at the shareholders' meeting. In the election of directors, the names of the voters may be represented by their shareholder number.
- Article 12 If the candidate is a shareholder of this Company, electors shall fill in the "candidate" column the candidate's name and shareholder's number on each ballot. If the candidate is not a shareholder, electors shall fill in the candidate's name and ID number. If the candidate is a government agency or a legal entity, the full name of the government agency or the legal entity or the name of the representative should be filled in the column. If there are more than one representative, the full names of the representatives should be filled in separately.
- Article 13 A ballot shall be construed as null and void under the following conditions:
1. The elector has failed to use the ballot prepared by the board of directors.
  2. Blank ballots not completed by the voter.
  3. The writing is unclear and illegible.
  4. If the candidate is a shareholder of the Company, the name or shareholder's number of the candidate filled in the ballot is inconsistent with the shareholders' register. If the candidate is not a shareholder of this Company, the name or ID number of the candidate filled in the ballot is incorrect.
  5. Ballots with other written characters in addition to candidate's name, shareholder's number (ID number) and the number of votes cast for the candidate.
  6. The name of the candidates filled in the ballots being the same as another candidate's name and the respective shareholder's numbers (ID numbers) not being indicated to distinguish them.
- Article 14 The ballots should be calculated during the meeting right after the voting and the results

(the list of new directors) of the election should be announced by the chairman at the meeting.

Article 15 The Company's Board of Directors shall issue notifications to the directors elected.

Article 16 These Regulations shall be effective from the date they are approved in the shareholder's meeting. The same applies to amendments.