



Taiwan Mobile Co., Ltd.

2020 Annual General Shareholders' Meeting

Agenda (Translation)

June 18, 2020

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.

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Taiwan Mobile Co., Ltd.

2020 Annual General Shareholders' Meeting Agenda

Time: 9:00 a.m., Thursday, June 18, 2020

Place: 6F, No. 88, Yanchang Rd., Xinyi Dist., Taipei City
(Taipei New Horizon Building)

1. The Chairman — Call the meeting to order
2. Chairman's Address
3. Report Items
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5. Special Motions
6. Meeting Adjourned

Report Items

1. The 2019 Business Report

The 2019 Business Report is attached hereto as Attachment I.

2. The 2019 Audit Committee Report

The 2019 Audit Committee Report is attached hereto as Attachment II.

The communication between the Audit Committee and Internal Audit Chief Officer is attached hereto as Attachment III.

3. The distribution of the 2019 employees' and directors' compensations

(1) Article 30-1 of the Company's Articles of Incorporation promulgate that 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.

(2) The 2019 employees' and directors' compensations are NT\$437,879,577 and NT\$43,787,958, respectively, which was approved by the Board and the total amounts were distributed in cash.

4. The latest results of sustainable performance evaluation

(1) Dow Jones Sustainability Indices (DJSI) review results were announced on September 13, 2019. The Company has been selected for DJSI World Index for three consecutive years and Dow Jones Sustainability Emerging Markets Index for the eighth consecutive year, ranking second in the global telecommunications industry.

(2) CDP review results were announced on January 20, 2020. The Company received the top grade "A" from the CDP in its "Climate Change 2019 Program".

(3) "2020 Sustainability Yearbook" was published by SAM on January 30, 2020. The Company received a Sustainability Leaders - Silver Class award in the global telecommunications services category for three years in a row.

Proposed Resolutions

1. To approve the 2019 Business Report and Financial Statements

Taiwan Mobile's (The Company) financial statements were audited by certified public accountants, Li-Wen Kuo and Kwan-Chung Lai, of Deloitte & Touche. The 2019 Business Report, CPA's audit report, and financial statements are attached hereto as Attachments I, IV and V.

Resolution:

2. To approve the proposal for the distribution of the 2019 retained earnings

- (1) The Company's 2019 net income was NT\$12,481,166,870 (please see Attachment VI for the 2019 Earnings Distribution Proposal).
- (2) The cash dividend from retained earnings proposed by the Board is NT\$11,756,843,920. The Company received letters of agreement from TCC Investment Co., Ltd. (TCCI), TCCI Investment & Development Co., Ltd. (TID) and TFN Union Investment Co., Ltd. (TUI) forfeiting their share of dividends from the Company. Deducting 698,751,601 shares collectively owned by TCCI, TID and TUI from the total outstanding shares of 3,509,376,492, the share count entitled to receive dividends is 2,810,624,891, representing a cash dividend of NT\$4.183 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.

Resolution:

3. To approve the cash return out of capital surplus

Cash return from capital surplus proposed by the Board is NT\$1,593,624,313. The Company received letters of agreement from TCC Investment Co., Ltd. (TCCI), TCCI Investment & Development Co., Ltd. (TID) and TFN Union Investment Co., Ltd. (TUI) forfeiting their share of cash return from the Company. Deducting 698,751,601 shares collectively owned by TCCI, TID and TUI from the total outstanding shares of 3,509,376,492, the share count entitled to receive dividends is 2,810,624,891, representing a cash distribution of NT\$0.567 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.

Resolution:

4. To approve revisions to the Articles of Incorporation

To meet the needs for our operation, the Company proposed revisions to Article 2 of the Articles of Incorporation. Please refer to Attachment VII for articles and amendments.

Resolution:

5. To approve revisions to the Rules and Procedures Governing Shareholders' Meeting

In compliance with the Taiwan Stock Exchange Corporation's issuing of interpretation No. 1080024221 related to the "Sample Template and Rules of Procedures for Shareholders Meetings" on January 2, 2020, the Company proposed the following revisions:

- (1) The entire proceedings of the Meeting shall be tape recorded and videotaped.
- (2) In case the shareholder proposal is to urge the Company to promote public interest or fulfill its social responsibilities, the board of directors may still include it in the agenda.
- (3) Related motions (including extraordinary motions and amendments to original proposals) shall be resolved by voting. Delete the provision - "the resolution is deemed to have been adopted if no objection is heard in response to the chairman's inquiry. Such a resolution is equivalent to a decision duly resolved through voting."

Please refer to Attachment VIII for completed articles and the before and after amendments for comparison.

Resolution:

6. To approve revisions to the Rules for Election of the Directors

In compliance with the Financial Supervisory Commission's issuing of interpretation No. 1080361934 related to the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" on January 15, 2020, the Company proposed the following revisions:

- (1) To amend the independence criteria for independent director. Two years before being elected or during the term of office, an independent director of the Company shall not have been or be any of the following:
 - i. 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 ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act.
 - ii. If a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
 - iii. If the chairperson, president, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
- (2) When providing a recommended slate of director candidates, a shareholder or the board of directors shall specify each nominee's name, educational background, working experience, and submit therewith documentation that the nominees meet the requirements of Article 5, paragraph 1, and Article 6, and other documentary proof.

Please refer to Attachment IX for completed articles and the before and after amendments for comparison.

Resolution:

7. To elect nine board directors (including five independent directors) for the ninth term

- (1) With the term of the current Board of Directors set to expire, the ninth term of Board of Directors shall be elected at the 2020 AGM.

- (2) Article 21 and 21-1 of the Company's Articles of Incorporation promulgate that nine to eleven directors (at least three independent directors), with a three-year tenure of office, shall be persons with legal capacity elected by the shareholders at the shareholders' meeting and shall be determined by a candidate nomination system.
- (3) The ninth term of the Board of Directors with nine directors (including five independent directors) who will hold office from June 18, 2020 to June 17, 2023 shall be elected at the 2020 AGM. The candidate list of directors was reviewed and approved at the board meeting on April 30, 2020.

Please see the candidate list of directors below and refer to Attachment X for the Rules for Election of the Directors.

Director Candidates				
Name	Education	Experience	Current Major Position	Current Shareholding (share)
Fu-Chi Investment Co., Ltd. Representative: Daniel M. Tsai	LL.M., Georgetown University LL.B., National Taiwan University	- Chairman, Fubon Financial Holding Co., Ltd. - Chairman, Taipei Fubon Commercial Bank Co., Ltd. - Chairman, Fubon Insurance Co., Ltd.	- Chairman, Taiwan Mobile Co., Ltd. - Standing Director, Taipei Fubon Commercial Bank Co., Ltd. - Chairman, Taiwan Fixed Network Co., Ltd.	5,748,763
Fu-Chi Investment Co., Ltd. Representative: Richard M. Tsai	MBA, Stern School of Business, New York University BBA, National Taiwan University	- Chairman, Fubon Securities Co., Ltd. - Chairman, Taiwan Mobile Co., Ltd.	- Chairman, Fubon Financial Holding Co., Ltd. - Chairman, Fubon Life Insurance Co., Ltd.	5,748,763
Fu-Chi Investment Co., Ltd. Representative: Chris Tsai	Bachelor of Science in Economics, Wharton School, University of Pennsylvania	- Executive Assistant to President, Fubon Life Insurance Co., Ltd. - President, Fubon Sports & Entertainment Co., Ltd.	- Deputy CIO & EVP, Fubon Financial Holding Co., Ltd. - President, Fubon Financial Venture Capital Co., Ltd. - President, FinTech Office, Fubon Financial Holding Co., Ltd. - Chairman, Fubon Sports & Entertainment Co., Ltd. - General Manager, Fubon Guardians Professional Baseball Team - General Manager, Fubon Braves Professional Basketball Team	5,748,763

TCC Investment Co., Ltd. Representative: Jamie Lin	MBA, Stern School of Business, New York University BS in Chemical Engineering with a minor in Economics, National Taiwan University	<ul style="list-style-type: none"> - Co-founder/VP of Product, Social Sauce - Associate, HSS Ventures - Co-founder/GM of Greater China, Intumit 	<ul style="list-style-type: none"> - President, Taiwan Mobile Co., Ltd. - Chairman, AppWorks Ventures - Director, Winbond Electronics - Director, 91APP - Director, momo.com Inc. 	200,496,761
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Independent Director Candidates

Name	Education	Experience	Current Positions	Shareholding (Shares)
Hsueh-Jen Sung	MBA, Harvard University MBA, National Chengchi University BS in Management Science, National Chiao Tung University	<ul style="list-style-type: none"> - Vice Chairman and Member of Global Partnership Committee and Asian Management Committee, Goldman Sachs (Asia) Ltd. - President and CEO, Grand Cathay Securities Corp. - Country Manager, Westpac Banking Corp. 	<ul style="list-style-type: none"> - Chairman, Vaucluse Capital Management Ltd. - Chairman, Shin Chiuan Capital Management Ltd. 	0

Char-Dir Chung	<p>Ph.D. and MS in Electrical Engineering, University of Southern California</p> <p>BS in Electrical Engineering, National Taiwan University</p>	<ul style="list-style-type: none"> - Minister without Portfolio, Executive Yuan - Member / Deputy Convener / Executive Secretary, Board of Science and Technology, Executive Yuan - Member / Deputy Convener / Executive Secretary, National Information and Communications Initiative Committee, Executive Yuan - Deputy Executive Secretary, Science and Technology Advisory Group, Executive Yuan - Convener, Performance Evaluation Committee of Technology Development Program, Ministry of Economic Affairs - SIS Chair Professor, National Taiwan University - Chairman, Department of Communication Engineering, National Central University - Director, Graduate Institute of Communication Engineering, National Central University 	<ul style="list-style-type: none"> - Distinguished Professor, Department of Electrical Engineering and Graduate Institute of Communication Engineering, National Taiwan University - IEEE Fellow - Director, Board of National Information Infrastructure Enterprise Promotion Association - Director, Board of Automotive Research and Testing Center - Standing Supervisor, Board of Computer Skills Foundation 	0
Hsi-Peng Lu	Ph.D. in Industrial Engineering, University of Wisconsin Madison	<ul style="list-style-type: none"> - Dean, Management School, National Taiwan University of Science and Technology - Dean, Honor College, National Taiwan University of Science and Technology - Dean, Student Affairs Office, National Taiwan University of Science and Technology - Chair, Department of Information Management, National Taiwan University of Science and Technology 	<ul style="list-style-type: none"> - Professor, Department of Information Management, National Taiwan University of Science and Technology, ROC - Independent Director, Yuen Foong Yu Investment Holding Co., Ltd. - Independent Director, SHUI-MU International Co., Ltd. - Independent Director, 91APP - Chairman, LIANG SHING ECLIFE Co., Ltd. 	0

Tong Hai Tan	Bachelor of Electrical Engineering, National University of Singapore	<ul style="list-style-type: none"> - President & CEO, StarHub Pte Ltd. (Singapore) - President & CEO, Singapore Computer Systems Ltd. - President & CEO, Pacific Internet Ltd. 	- Executive Director, SEAX Global Pte Ltd. (Singapore)	0
Drina Yue	BS in Electrical Engineering, MS in Computer Science, University of Illinois Urbana- Champaign	<ul style="list-style-type: none"> - Senior Executive Management in multinational companies (AT&T, Motorola, Western Union) - BOD of Gemalto - CEO of iSteelAsia - Senior Advisor of GSMA 	- Christian Action Asia Board of Director	0

Resolution:

8. 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 acts for himself or on behalf of another person that is within the scope of the company's business, shall clarify the essential content of his act to the meeting of shareholders and secure AGM's 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.

Name	Current position(s) in other companies
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.
	Chairman, Chung Shing Development 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, Chung Shing Development Co., Ltd.
	Director, Cho Pharma, Inc.
Hsueh-Jen Sung	Chairman, Vaocluse Capital Management Ltd.
	Chairman, Shin Chiuan Capital Management Ltd.
Hsi-Peng Lu	Independent Director, SHUI-MU International Co., Ltd.
	Chairman, LIANG SHING ECLIFE Co., Ltd.

Tong Hai Tan	Executive Director, SEAX Global Pte Ltd. (Singapore)
Chris Tsai	Director, momo.com Inc.
	Director, Taipei New Horizon Co., Ltd.
Jamie Lin	Director, momo.com Inc.
	Director, Taipei New Horizon Co., Ltd.
	Director, Winbond Electronics Corp.
	Chairman, AppWorks Ventures
	Chairman, Union Cable TV Co., Ltd.
	Chairman, Globalview Cable TV 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.

Resolution:

Special Motion

Meeting Adjourned

ATTACHMENTS



Business Report

From consumption to entertainment, the rapid changes in technology have altered the way people live. New business opportunities entail new business models. Taiwan Mobile (“TWM”, or “the Company”) believes that technology springs from humanity and should be incorporated into everyday life. Through forward-looking business planning, the Company has continued its pioneering role, breaking conventions and embracing change to develop new growth curves. As always, it applies the highest standards to corporate governance, shareholder value and customer satisfaction, and regards sustainability as a corporate social responsibility.

Innovative intelligent applications

In 2019, leveraging its expertise in internet of things (IoT), cloud and artificial intelligence (AI), Taiwan Mobile developed a host of products and services that are closely intertwined with our daily lives. This included myAir-S1 portable PM2.5 detector, a smart retail platform for charity, smart communities, an AI energy management cloud platform and a mobile card reader. The Company also joined forces with Google to expand smart home application through a smart speaker that integrates cable TV and audio-visual services with voice commands. Going forward, TWM is looking to 5G technology that will enable development of innovative applications, such as multi-angle broadcasting, virtual reality and augmented reality, smart therapy and smart factory.

New business roadmap, new frontier

To capture emerging business opportunities from digital convergence and smart home developments, Taiwan Mobile launched an all-round digital convergence plan that covers mobile, fixed broadband, and video/music streaming services. Apart from promoting “Smarter Home” services to consumers at its retail stores, the Company also enhanced online and offline integration with its e-commerce platform momo. TWM’s solid presence in the mobile, fixed network, cable TV and e-commerce fields lends support to its continuing efforts to promote product differentiation and achieve wider business synergy.

World-class corporate governance

Taiwan Mobile has consistently striven to be a role model in corporate sustainability, with the Company once again receiving numerous commendations for its efforts in the past year. TWM was selected by SAM, a leading international sustainability investment specialist, for inclusion in its “2019 Sustainability Yearbook,” receiving a Silver Class award for the second consecutive year. The Company was also included in the Dow Jones Sustainability Indices (DJSI) Emerging Markets Index for the eighth consecutive year and in the DJSI World Index for the third time, grabbing the No. 2 spot.

Valuing customer satisfaction and shareholders' interests

Taiwan Mobile has created solid returns for its shareholders by maintaining a cash dividend yield of around 5% in recent years through a calibrated investment strategy and prudent capital

expenditure, while earning widespread recognition for its excellent customer service. In addition to receiving the Best Customer Service Center award at the Customer Service Excellence Awards for three years in a row, the Company's myfone stores and customer service center also received SGS Qualicert certification for the eighth consecutive year.

Corporate social responsibility

As a national telecom industry leader, TWM believes it is its duty not only to pursue solid operational and financial performances, but also to share the benefits of its steady growth over the years with society. In 2019, the Company passed the Science Based Targets Initiative (SBTi) evaluation, becoming the first non-electrical manufacturer in Taiwan and the second telecom service provider throughout Asia to pass this stringent international verification. Additionally, TWM takes pride in winning its 13th Corporate Social Responsibility Award from *Global Views Monthly* and its 12th Excellence in Corporate Social Responsibility Award from *CommonWealth Magazine*, where it ranked first in the telecom industry and was among the top 10 in the large enterprise category. TWM earned further distinction by receiving 10 awards at the 2019 Taiwan Corporate Sustainability Awards and was honored with the Most Prestigious Sustainability Award – Top 10 Domestic Corporations for the fifth time, the most amongst domestic telecom peers.

In addition to setting a corporate vision and strategic goals, TWM believes execution, introspection and improvement are the keys to its future growth.

2019 operating and financial results

With easing competition in the telecommunications market in 2019, TWM utilized group resources to introduce differentiated products and services that match consumer trends in order to mitigate the impact on revenue of declining tariffs and a lengthening handset replacement cycle. This, coupled with efforts to boost contributions from non-telecom businesses, helped the Company's YoY profitability trend to turn positive in the second half of the year. TWM reported consolidated revenue of NT\$124.4 billion, EBITDA of NT\$33.4 billion and a net profit of NT\$12.5 billion. Earnings per share of NT\$4.51 were in line with management guidance. Continued investment in research and development bore fruit, including deploying deep learning to boost efficiency in base station resource allocation, utilizing AI algorithms to provide personalized recommendations, and supporting smart home applications, such as smart speakers and virtual assistants.

Outlook

2020 will mark the first year of the 5G era, where its capabilities in enhanced mobile broadband (eMBB), ultra-reliable and low latency communications (URLLC) and massive machine type communications (mMTC), coupled with AI technology, will change industries and lifestyles. While smart therapy, smart factory and other vertical markets, as well as cloud gaming, offer new opportunities, telecom players face challenges in setting 5G rates, as well as planning commercial rollouts and timely introduction of new applications.

Bearing in mind our responsibility to shareholders and consumers alike, TWM aspires to integrate technology into everyday life, while bolstering information security, to facilitate its transformation into a smarter enterprise, with increasing profit contributions from its consumer, cable TV, enterprise and retail business groups.

Chairman



Audit Committee Report

February 21, 2020

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2019 business report and financial statements to the Audit Committee. The CPA firm, Deloitte & Touche, was retained by the Board to audit TWM's financial statements and has issued an audit report relating to the financial statements. The business report and financial statements have been reviewed and determined to be correct and accurate by the Audit Committee of TWM. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Taiwan Mobile Co., Ltd.

A handwritten signature in black ink, appearing to read "Hsueh-Jen Sung". The signature is written in a cursive, flowing style.

Hsueh-Jen Sung

Chairman of the Audit Committee



Taiwan Mobile Co., Ltd.

Audit Committee Report

April 30, 2020

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's proposal for distribution of the 2019 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.

Taiwan Mobile Co., Ltd.

A handwritten signature in black ink, appearing to read 'Hsueh-Jen Sung', written in a cursive style.

Hsueh-Jen Sung

Chairman of the Audit Committee

Communication between the Audit Committee and the Internal Audit Chief Officer

■ Regular :

- The audit chief officer reports the audit matters to the independent directors individually every quarter.

■ Ad hoc :

- The committee chairman will arrange a discussion about audit matters with the audit chief officer and audit personnel.
- When instructions are given by independent directors during Audit Committee meeting, the audit chief officer must submit a report regarding actions taken afterwards.

The 2019 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 (collectively, the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), IFRIC Interpretations ("IFRIC"), and SIC Interpretations ("SIC") endorsed and issued into effect by the Financial Supervisory Commission ("FSC") of the Republic of China ("ROC").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. 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 2019 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 \$36,182,005 thousand and \$59,078,475 thousand, respectively, as of December 31, 2019. On each balance sheet date, the Group reviews its tangible and intangible assets for indications of impairment,

and then the Group estimates the recoverable amount of the assets. If it is not possible to determine the recoverable amount (fair value less costs to sell or 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 \$95,260,480 thousand (62% of total consolidated assets) and the calculation for the recoverable amount involved several assumptions and estimations, which directly impact the amount to be recognized as impairment losses, we believe that the review for the impairment of assets is a key audit matter.

Corresponding audit procedures:

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 Group management to assess if there is any asset impairment.

Telecommunications and Value-added Services Revenue

The description of key audit matter:

The source of the major operating revenue of the Group is the telecommunications and value-added services revenue, totaling \$48,135,239 thousand for the year ended December 31, 2019. The Group offers more different monthly-fee plans and diversifies the business by innovating value-added services since the telecommunication industry becomes more competitive nowadays. The competitive telecommunication industry and complicated calculations for revenue recognition, which highly relies on automatic and systematic connection and implementation, lead the telecommunications and value-added service revenue to be considered as one of the key audit matters.

Corresponding audit procedures:

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 system.
3. Perform system integration tests from telephone-exchange to telephone traffic.
4. Test for the accuracy of call record charge rates and billing calculations.
5. Verify the accuracy of the billing amounts generated from monthly rentals as well as airtime accounting systems and the transfer to the accounting information system.

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, 2019 and 2018 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists and is related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 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 21, 2020

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, 2019		December 31, 2018		LIABILITIES AND EQUITY	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 6 and 30)	\$ 8,663,370	6	\$ 7,498,710	5	Short-term borrowings (Note 18)	\$ 16,270,000	11	\$ 10,270,000	7
Financial assets at fair value through profit or loss (Note 30)	149	-	81,474	-	Short-term notes and bills payable (Note 18)	1,898,111	1	1,498,992	1
Financial assets at fair value through other comprehensive income (Note 7)	246,493	-	255,732	-	Contract liabilities (Note 23)	1,807,407	1	2,030,793	1
Contract assets (Note 23)	4,832,043	3	5,472,357	4	Notes and accounts payable	7,660,285	5	6,756,980	5
Notes and accounts receivable, net (Note 8)	7,671,838	5	7,531,858	5	Accounts payable due to related parties (Note 30)	135,162	-	179,588	-
Accounts receivable due from related parties (Note 30)	146,186	-	137,958	-	Other payables (Note 30)	8,823,705	6	9,581,496	6
Other receivables (Note 30)	1,418,485	1	2,066,105	1	Current tax liabilities	1,539,638	1	2,377,000	2
Inventories (Note 9)	5,670,476	4	3,945,663	3	Provisions (Note 20)	88,961	-	120,334	-
Prepayments (Note 30)	463,334	-	584,799	1	Lease liabilities (Notes 14, 27 and 30)	3,532,951	2	-	-
Other financial assets (Notes 30 and 31)	592,868	-	576,542	-	Advance receipts	87,410	-	111,250	-
Other current assets	200,458	-	917,689	1	Long-term liabilities, current portion (Notes 18 and 19)	303,297	-	6,802,916	5
					Other current liabilities (Note 30)	2,376,029	2	2,154,154	1
Total current assets	29,905,700	19	29,068,887	20	Total current liabilities	44,522,956	29	41,883,503	28
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Financial assets at fair value through other comprehensive income (Note 7)	5,245,888	4	4,763,899	3	Financial liabilities at fair value through profit or loss	-	-	1,861	-
Contract assets (Note 23)	3,463,456	2	3,208,519	2	Contract liabilities (Note 23)	45,293	-	56,144	-
Investments accounted for using equity method (Notes 10 and 30)	1,478,025	1	1,435,607	1	Bonds payable (Note 19)	15,903,436	10	24,419,137	17
Property, plant and equipment (Note 13)	36,182,005	24	38,855,960	26	Long-term borrowings (Note 18)	8,586,076	6	8,889,438	6
Right-of-use assets (Notes 14 and 30)	9,657,938	6	-	-	Provisions (Note 20)	1,459,270	1	1,400,954	1
Investment properties (Note 15)	2,984,057	2	2,999,403	2	Deferred tax liabilities (Note 25)	977,560	1	917,261	1
Concessions (Notes 16 and 31)	37,709,501	24	40,528,874	27	Lease liabilities (Notes 14, 27 and 30)	6,117,438	4	-	-
Goodwill (Note 16)	15,832,440	10	15,872,595	11	Net defined benefit liabilities (Note 21)	517,175	-	510,880	-
Other intangible assets (Note 16)	5,536,534	4	5,774,176	4	Guarantee deposits	1,092,364	1	1,013,905	1
Deferred tax assets (Note 25)	839,240	1	806,521	1	Other non-current liabilities	522,116	-	580,249	-
Incremental costs of obtaining a contract (Note 23)	2,119,052	1	2,946,282	2	Total non-current liabilities	35,220,728	23	37,789,829	26
Other financial assets (Notes 30, 31 and 32)	271,653	-	131,110	-	Total liabilities	79,743,684	52	79,673,332	54
Other non-current assets (Notes 17 and 30)	2,694,470	2	1,275,195	1	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
Total non-current assets	124,014,259	81	118,598,141	80	(Note 22)				
					Common stock	34,959,441	23	34,208,519	23
					Capital collected in advance	134,104	-	29,819	-
					Capital surplus	20,274,694	13	12,580,692	9
					Retained earnings				
					Legal reserve	28,922,281	19	27,558,064	19
					Special reserve	95,381	-	362,703	-
					Unappropriated earnings	12,909,829	8	16,954,448	11
					Other equity interests	438,905	-	(95,381)	-
					Treasury stock	(29,717,344)	(19)	(29,717,344)	(20)
					Total equity attributable to owners of the parent	68,017,291	44	61,881,520	42
					NON-CONTROLLING INTERESTS (Note 22)	6,158,984	4	6,112,176	4
					Total equity	74,176,275	48	67,993,696	46
TOTAL	\$ 153,919,959	100	\$ 147,667,028	100	TOTAL	\$ 153,919,959	100	\$ 147,667,028	100

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, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 23, 30 and 36)	\$ 124,420,913	100	\$ 118,732,328	100
OPERATING COSTS (Notes 9, 30, 34 and 36)	<u>91,612,178</u>	<u>74</u>	<u>84,315,734</u>	<u>71</u>
GROSS PROFIT FROM OPERATIONS	<u>32,808,735</u>	<u>26</u>	<u>34,416,594</u>	<u>29</u>
OPERATING EXPENSES (Notes 30, 34 and 36)				
Marketing	10,506,264	8	11,340,018	10
Administrative	5,367,860	4	5,134,269	4
Expected credit loss	<u>241,043</u>	<u>-</u>	<u>411,210</u>	<u>-</u>
Total operating expenses	<u>16,115,167</u>	<u>12</u>	<u>16,885,497</u>	<u>14</u>
OTHER INCOME AND EXPENSES, NET (Notes 30 and 36)	<u>499,767</u>	<u>-</u>	<u>630,945</u>	<u>-</u>
OPERATING INCOME (Note 36)	<u>17,193,335</u>	<u>14</u>	<u>18,162,042</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 24 and 30)	311,898	-	227,605	-
Other gains and losses, net (Notes 24 and 30)	(359,131)	-	(125,717)	-
Finance costs (Notes 24 and 30)	(574,780)	-	(601,841)	-
Share of profit of associates accounted for using equity method (Note 10)	<u>10,488</u>	<u>-</u>	<u>27,128</u>	<u>-</u>
Total non-operating income and expenses	<u>(611,525)</u>	<u>-</u>	<u>(472,825)</u>	<u>-</u>
PROFIT BEFORE TAX	16,581,810	14	17,689,217	15
INCOME TAX EXPENSE (Note 25)	<u>3,289,943</u>	<u>3</u>	<u>3,203,449</u>	<u>3</u>
NET PROFIT	<u>13,291,867</u>	<u>11</u>	<u>14,485,768</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 10, 21, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans	(44,101)	-	(78,532)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	536,083	-	210,717	-
Share of other comprehensive income (loss) of associates accounted for using equity method	15,432	-	(18,477)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation	(24,446)	-	(14,114)	-
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>4,205</u>	<u>-</u>	<u>(1,040)</u>	<u>-</u>
Other comprehensive income (after tax)	<u>487,173</u>	<u>-</u>	<u>98,554</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 13,779,040</u>	<u>11</u>	<u>\$ 14,584,322</u>	<u>12</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 12,481,167	10	\$ 13,642,172	11
Non-controlling interests	<u>810,700</u>	<u>1</u>	<u>843,596</u>	<u>1</u>
	<u>\$ 13,291,867</u>	<u>11</u>	<u>\$ 14,485,768</u>	<u>12</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 12,971,397	10	\$ 13,768,068	12
Non-controlling interests	<u>807,643</u>	<u>1</u>	<u>816,254</u>	<u>-</u>
	<u>\$ 13,779,040</u>	<u>11</u>	<u>\$ 14,584,322</u>	<u>12</u>
EARNINGS PER SHARE (Note 26)				
Basic earnings per share	<u>\$ 4.51</u>		<u>\$ 5.01</u>	
Diluted earnings per share	<u>\$ 4.44</u>		<u>\$ 4.86</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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent						Other Equity Interests			Total	Non-controlling Interests	Total Equity	
	Common Stock	Capital Collected in Advance	Capital Surplus	Retained Earnings			Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets				Treasury Stock
			Legal Reserve	Special Reserve	Unappropriated Earnings								
BALANCE, JANUARY 1, 2018	\$ 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
Effect of retrospective application	-	-	-	-	-	3,354,181	-	(281,785)	346,204	-	3,418,600	(39)	3,418,561
ADJUSTED BALANCE, JANUARY 1, 2018	34,208,328	-	13,939,278	26,138,846	690,034	18,089,605	(16,499)	(281,785)	-	(29,717,344)	63,050,463	5,879,699	68,930,162
Distribution of 2017 earnings													
Legal reserve	-	-	-	1,419,218	-	(1,419,218)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(327,331)	327,331	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(13,610,406)	-	-	-	-	(13,610,406)	-	(13,610,406)
Total distribution of earnings	-	-	-	1,419,218	(327,331)	(14,702,293)	-	-	-	-	(13,610,406)	-	(13,610,406)
Cash dividends from capital surplus	-	-	(1,633,249)	-	-	-	-	-	-	-	(1,633,249)	-	(1,633,249)
Profit for the year ended December 31, 2018	-	-	-	-	-	13,642,172	-	-	-	-	13,642,172	843,596	14,485,768
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	(78,832)	(7,899)	212,627	-	-	125,896	(27,342)	98,554
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	13,563,340	(7,899)	212,627	-	-	13,768,068	816,254	14,584,322
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	1,825	-	(1,825)	-	-	-	-	-
Conversion of convertible bonds to common stock	191	29,819	275,614	-	-	-	-	-	-	-	305,624	-	305,624
Changes in percentage of ownership interests in subsidiaries	-	-	(10,347)	-	-	-	-	-	-	-	(10,347)	12,663	2,316
Changes in equity of associates accounted for using equity method	-	-	8,380	-	-	1,971	-	-	-	-	10,351	9,717	20,068
Other changes in capital surplus	-	-	1,016	-	-	-	-	-	-	-	1,016	-	1,016
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(616,452)	(616,452)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	10,295	10,295
BALANCE, DECEMBER 31, 2018	34,208,519	29,819	12,580,692	27,558,064	362,703	16,954,448	(24,398)	(70,983)	-	(29,717,344)	61,881,520	6,112,176	67,993,696
Effect of retrospective application	-	-	-	-	-	32,605	-	-	-	-	32,605	16,275	48,880
ADJUSTED BALANCE, JANUARY 1, 2019	34,208,519	29,819	12,580,692	27,558,064	362,703	16,987,053	(24,398)	(70,983)	-	(29,717,344)	61,914,125	6,128,451	68,042,576
Distribution of 2018 earnings													
Legal reserve	-	-	-	1,364,217	-	(1,364,217)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(267,322)	267,322	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(15,366,223)	-	-	-	-	(15,366,223)	-	(15,366,223)
Total distribution of earnings	-	-	-	1,364,217	(267,322)	(16,463,118)	-	-	-	-	(15,366,223)	-	(15,366,223)
Profit for the year ended December 31, 2019	-	-	-	-	-	12,481,167	-	-	-	-	12,481,167	810,700	13,291,867
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	(44,056)	(10,107)	544,393	-	-	490,230	(3,057)	487,173
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	12,437,111	(10,107)	544,393	-	-	12,971,397	807,643	13,779,040
Conversion of convertible bonds to common stock	750,922	104,285	7,710,366	-	-	-	-	-	-	-	8,565,573	-	8,565,573
Changes in equity of associates accounted for using equity method	-	-	(17,346)	-	-	(51,217)	-	-	-	-	(68,563)	(83,749)	(152,312)
Other changes in capital surplus	-	-	982	-	-	-	-	-	-	-	982	-	982
Cash dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(693,361)	(693,361)
BALANCE, DECEMBER 31, 2019	\$ 34,959,441	\$ 134,104	\$ 20,274,694	\$ 28,922,281	\$ 95,381	\$ 12,909,829	\$ (34,505)	\$ 473,410	\$ -	\$ (29,717,344)	\$ 68,017,291	\$ 6,158,984	\$ 74,176,275

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 16,581,810	\$ 17,689,217
Adjustments for:		
Depreciation expense	12,755,740	9,904,079
Amortization expense	3,439,851	3,657,017
Amortization of incremental costs of obtaining a contract	2,483,997	3,394,116
Loss on disposal of property, plant and equipment, net	277,123	80,282
Loss on disposal of intangible assets, net	-	128,002
Expected credit loss	241,043	411,210
Finance costs	574,780	601,841
Interest income	(115,313)	(61,633)
Dividend income	(117,211)	(83,164)
Share of profit of associates accounted for using equity method	(10,488)	(27,128)
Valuation (gain) loss on financial assets and liabilities at fair value through profit or loss	(2,858)	19,745
Reversal of impairment loss on property, plant and equipment	-	(103,586)
Impairment loss on intangible assets	40,155	-
Others	(2,950)	891
Changes in operating assets and liabilities		
Financial assets mandatorily at fair value through profit or loss	84,864	736,265
Contract assets	388,595	1,920,836
Notes and accounts receivable	(552,401)	(9,311)
Accounts receivable due from related parties	(276)	(34,468)
Other receivables	607,142	(272,544)
Inventories	(1,724,813)	387,701
Prepayments	(3,017)	(84,649)
Other current assets	716,507	(794,848)
Other financial assets	(11,484)	(9,299)
Incremental costs of obtaining a contract	(1,656,767)	(2,173,201)
Contract liabilities	1,921	(696,235)
Notes and accounts payable	903,305	(1,231,342)
Accounts payable due to related parties	(44,426)	49,956
Other payables	(533,329)	(831,657)
Provisions	(11,582)	(70,429)
Advance receipts	(19,658)	22,303
Other current liabilities	(14,010)	(4,055)
Net defined benefit liabilities	(48,831)	(53,206)
Other non-current liabilities	-	(19,744)
Cash inflows generated from operating activities	34,227,419	32,442,962
Interest received	42,534	1,199
Interest paid	(1,291)	(1,245)
Income taxes paid	(4,052,247)	(2,667,261)
Net cash generated from operating activities	<u>30,216,415</u>	<u>29,775,655</u>

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	\$ (6,605,925)	\$ (7,813,657)
Acquisition of right-of-use assets	(14,858)	-
Acquisition of intangible assets	(291,260)	(363,471)
Increase in prepayments for equipment	(240,031)	(316,330)
Increase in prepayments for investment	(100,000)	-
Proceeds from disposal of property, plant and equipment	49,700	44,838
Decrease in advanced receipts from assets disposals	(123)	(72)
Acquisition of financial assets at fair value through profit or loss	(2,500)	-
Acquisition of investments accounted for using equity method	(262,000)	(20,771)
Redemption of convertible notes	-	491,192
Proceeds from capital return of investments accounted for using equity method	-	31,090
Net cash outflow on acquisition of subsidiaries	-	(2,925)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	1,669
Proceeds from capital return of financial assets at fair value through other comprehensive income	-	3,149
Increase in refundable deposits	(1,257,689)	(307,564)
Decrease in refundable deposits	249,028	281,551
Increase in other financial assets	(222,215)	(254,531)
Decrease in other financial assets	73,985	2,478,579
Interest received	58,545	60,977
Dividend received	192,062	159,947
	<u>(8,373,281)</u>	<u>(5,526,329)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	6,000,000	599,472
Increase (decrease) in short-term notes and bills payable	399,285	(4,096,683)
Proceeds from issue of bonds	-	14,984,564
Repayments of bonds payable	(4,500,000)	(7,400,000)
Repayment of long-term borrowings	(2,304,000)	(11,206,042)
Repayment of the principal portion of lease liabilities	(3,776,678)	-
Increase in guarantee deposits received	217,256	162,473
Decrease in guarantee deposits received	(138,587)	(126,783)
Cash dividends paid (including amount paid to non-controlling interests)	(16,059,547)	(15,860,099)
Interest paid	(512,224)	(439,637)
Changes in non-controlling interests	-	2,316
	<u>(20,674,495)</u>	<u>(23,380,419)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	<u>(3,979)</u>	<u>(1,741)</u>

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 1,164,660	\$ 867,166
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,498,710</u>	<u>6,631,544</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,663,370</u>	<u>\$ 7,498,710</u>

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

(Concluded)

The 2019 Standalone Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Taiwan Mobile Co., Ltd.

Opinion

We have audited the accompanying financial statements of Taiwan Mobile Co., Ltd. ("TWM"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TWM as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the 2019 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 balances of property, plant and equipment and intangible assets (including goodwill) amounted to \$19,711,168 thousand and \$38,300,915 thousand, respectively, as of December 31, 2019. On each balance sheet date, TWM reviews its tangible and intangible assets for indications of impairment, and then TWM estimates the recoverable amount of the assets. If it is not possible to determine the recoverable amount (fair value less costs to sell or value in use) for the individual asset, then TWM will determine the recoverable amount for the asset's cash-generating unit. Because the aforementioned

tangible and intangible assets amounted to \$58,012,083 thousand (41% of total assets) and the calculation for the recoverable amount involved several assumptions and estimations, which directly impact the amount to be recognized as impairment losses, we believe that the review for the impairment of assets is a key audit matter.

Corresponding audit procedures:

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 TWM 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 if there is any asset impairment.

Telecommunications and Value-added Services Revenue

The description of key audit matter:

The source of the major operating revenue of TWM is the telecommunications and value-added services revenue, totaling \$43,961,247 thousand for the year ended December 31, 2019. TWM offers more different monthly-fee plans and diversifies the business by innovating value-added services since the telecommunication industry becomes more competitive nowadays. The competitive telecommunication industry and complicated calculations for revenue recognition, which highly relies on automatic and systematic connection and implementation, lead the telecommunications and value-added service revenue to be considered as one of the key audit matters.

Corresponding audit procedures:

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 system.
3. Perform system integration tests from telephone-exchange to telephone traffic.
4. Test for the accuracy of call record charge rates and billing calculations.
5. Verify the accuracy of the billing amounts generated from monthly rentals as well as airtime accounting systems and the transfer to the accounting information system.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 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 21, 2020

Notice to Readers

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

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

TAIWAN MOBILE CO., LTD.
BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2019		December 31, 2018		LIABILITIES AND EQUITY	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 6 and 28)	\$ 1,272,740	1	\$ 1,419,168	1	Short-term borrowings (Notes 16 and 28)	\$ 25,135,000	18	\$ 19,288,000	14
Financial assets at fair value through other comprehensive income (Note 7)	239,086	-	245,607	-	Short-term notes and bills payable (Note 16)	1,898,111	1	1,498,992	1
Contract assets (Note 21)	4,827,361	4	5,460,190	4	Contract liabilities (Note 21)	1,041,382	1	1,152,331	1
Notes and accounts receivable, net (Note 8)	6,105,549	4	6,062,929	4	Accounts payable	1,562,918	1	1,120,379	1
Accounts receivable due from related parties (Note 28)	285,763	-	136,698	-	Accounts payable due to related parties (Note 28)	172,003	-	224,981	-
Other receivables (Note 28)	624,367	1	1,082,521	1	Other payables (Note 28)	6,655,590	5	7,573,224	6
Inventories (Note 9)	3,257,280	2	2,311,480	2	Current tax liabilities	679,240	1	1,684,319	1
Prepayments	147,341	-	216,712	-	Provisions (Note 18)	64,020	-	91,836	-
Other financial assets (Notes 28 and 29)	20,893	-	9,409	-	Lease liabilities (Notes 12, 25 and 28)	3,060,243	2	-	-
Other current assets	55,358	-	794,125	1	Advance receipts	72,965	-	85,455	-
Total current assets	<u>16,835,738</u>	<u>12</u>	<u>17,738,839</u>	<u>13</u>	Long-term liabilities, current portion (Notes 16 and 17)	-	-	6,499,680	5
					Other current liabilities (Note 28)	1,668,244	1	1,623,249	1
					Total current liabilities	<u>42,009,716</u>	<u>30</u>	<u>40,842,446</u>	<u>30</u>
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Financial assets at fair value through other comprehensive income (Note 7)	1,608,217	1	1,826,732	1	Financial liabilities at fair value through profit or loss	-	-	1,861	-
Contract assets (Note 21)	3,458,120	3	3,200,610	3	Bonds payable (Note 17)	15,903,436	11	24,419,137	18
Investments accounted for using equity method (Notes 10 and 28)	43,562,809	31	41,964,789	31	Long-term borrowings (Note 16)	6,000,000	4	6,000,000	4
Property, plant and equipment (Notes 11 and 28)	19,711,168	14	22,249,874	17	Provisions (Note 18)	712,431	1	719,116	1
Right-of-use assets (Notes 12 and 28)	8,278,391	6	-	-	Deferred tax liabilities (Note 23)	623,651	1	569,469	1
Investment properties (Note 13)	3,135,409	2	3,151,320	2	Lease liabilities (Notes 12, 25 and 28)	5,195,924	4	-	-
Concessions (Note 14)	30,739,448	22	33,380,101	25	Net defined benefit liabilities (Note 19)	307,606	-	282,163	-
Goodwill (Note 14)	7,121,871	5	7,121,871	5	Guarantee deposits	336,291	-	347,488	-
Other intangible assets (Note 14)	439,596	-	551,100	-	Total non-current liabilities	<u>29,079,339</u>	<u>21</u>	<u>32,339,234</u>	<u>24</u>
Deferred tax assets (Note 23)	618,759	1	567,543	1	Total liabilities	<u>71,089,055</u>	<u>51</u>	<u>73,181,680</u>	<u>54</u>
Incremental costs of obtaining a contract (Note 21)	2,039,338	2	2,884,482	2	EQUITY (Note 20)				
Other non-current assets (Notes 15, 28 and 29)	1,557,482	1	425,939	-	Common stock	34,959,441	25	34,208,519	26
Total non-current assets	<u>122,270,608</u>	<u>88</u>	<u>117,324,361</u>	<u>87</u>	Capital collected in advance	134,104	-	29,819	-
					Capital surplus	20,274,694	15	12,580,692	9
					Retained earnings				
					Legal reserve	28,922,281	21	27,558,064	20
					Special reserve	95,381	-	362,703	-
					Unappropriated earnings	12,909,829	9	16,954,448	13
					Other equity interests	438,905	-	(95,381)	-
					Treasury stock	(29,717,344)	(21)	(29,717,344)	(22)
					Total equity	<u>68,017,291</u>	<u>49</u>	<u>61,881,520</u>	<u>46</u>
TOTAL	\$ 139,106,346	100	\$ 135,063,200	100	TOTAL	\$ 139,106,346	100	\$ 135,063,200	100

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

TAIWAN MOBILE CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 21 and 28)	\$ 62,426,270	100	\$ 65,545,627	100
OPERATING COSTS (Notes 9, 28 and 32)	<u>42,140,467</u>	<u>67</u>	<u>43,017,205</u>	<u>66</u>
GROSS PROFIT FROM OPERATIONS	20,285,803	33	22,528,422	34
UNREALIZED GAIN ON SALES	<u>(509)</u>	<u>-</u>	<u>-</u>	<u>-</u>
GROSS PROFIT FROM OPERATIONS, NET	<u>20,285,294</u>	<u>33</u>	<u>22,528,422</u>	<u>34</u>
OPERATING EXPENSES (Notes 28 and 32)				
Marketing	8,105,643	13	9,271,668	14
Administrative	2,976,127	5	3,023,042	5
Expected credit loss	<u>233,546</u>	<u>-</u>	<u>404,943</u>	<u>-</u>
Total operating expenses	<u>11,315,316</u>	<u>18</u>	<u>12,699,653</u>	<u>19</u>
OTHER INCOME AND EXPENSES, NET	<u>228,865</u>	<u>-</u>	<u>636,938</u>	<u>1</u>
OPERATING INCOME	<u>9,198,843</u>	<u>15</u>	<u>10,465,707</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 22 and 28)	76,062	-	82,033	-
Other gains and losses, net (Note 22)	(296,273)	-	(120,385)	-
Finance costs (Notes 22 and 28)	(565,793)	(1)	(597,351)	(1)
Share of profit of subsidiaries and associates accounted for using equity method	<u>5,749,646</u>	<u>9</u>	<u>5,707,059</u>	<u>9</u>
Total non-operating income and expenses	<u>4,963,642</u>	<u>8</u>	<u>5,071,356</u>	<u>8</u>
PROFIT BEFORE TAX	14,162,485	23	15,537,063	24
INCOME TAX EXPENSE (Note 23)	<u>1,681,318</u>	<u>3</u>	<u>1,894,891</u>	<u>3</u>
NET PROFIT	<u>12,481,167</u>	<u>20</u>	<u>13,642,172</u>	<u>21</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 10, 19, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans	(32,904)	-	(55,867)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(162,652)	-	(426,925)	(1)
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	695,893	1	616,587	1
Items that may be reclassified subsequently to profit or loss				
Share of other comprehensive loss of subsidiaries and associates accounted for using equity method	<u>(10,107)</u>	<u>-</u>	<u>(7,899)</u>	<u>-</u>
Other comprehensive income (after tax)	<u>490,230</u>	<u>1</u>	<u>125,896</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 12,971,397</u>	<u>21</u>	<u>\$ 13,768,068</u>	<u>21</u>
EARNINGS PER SHARE (Note 24)				
Basic earnings per share	<u>\$ 4.51</u>		<u>\$ 5.01</u>	
Diluted earnings per share	<u>\$ 4.44</u>		<u>\$ 4.86</u>	

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

TAIWAN MOBILE CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

	Common Stock	Capital Collected in Advance	Capital Surplus	Retained Earnings			Exchange Differences on Translation	Other Equity Interests		Treasury Stock	Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Loss) on Available-for-sale Financial Assets		
BALANCE, JANUARY 1, 2018	\$ 34,208,328	\$ -	\$ 13,939,278	\$ 26,138,846	\$ 690,034	\$ 14,735,424	\$ (16,499)	\$ -	\$ (346,204)	\$(29,717,344)	\$ 59,631,863
Effect of retrospective application	-	-	-	-	-	3,354,181	-	(281,785)	346,204	-	3,418,600
ADJUSTED BALANCE, JANUARY 1, 2018	34,208,328	-	13,939,278	26,138,846	690,034	18,089,605	(16,499)	(281,785)	-	(29,717,344)	63,050,463
Distribution of 2017 earnings	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	1,419,218	-	(1,419,218)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(327,331)	327,331	-	-	-	-	-
Cash dividends	-	-	-	-	-	(13,610,406)	-	-	-	-	(13,610,406)
Total distribution of earnings	-	-	-	1,419,218	(327,331)	(14,702,293)	-	-	-	-	(13,610,406)
Cash dividends from capital surplus	-	-	(1,633,249)	-	-	-	-	-	-	-	(1,633,249)
Profit for the year ended December 31, 2018	-	-	-	-	-	13,642,172	-	-	-	-	13,642,172
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	(78,832)	(7,899)	212,627	-	-	125,896
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	13,563,340	(7,899)	212,627	-	-	13,768,068
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	1,825	-	(1,825)	-	-	-
Conversion of convertible bonds to common stock	191	29,819	275,614	-	-	-	-	-	-	-	305,624
Changes in percentage of ownership interests in subsidiaries	-	-	(10,347)	-	-	-	-	-	-	-	(10,347)
Changes in equity of associates accounted for using equity method	-	-	8,380	-	-	1,971	-	-	-	-	10,351
Other changes in capital surplus	-	-	1,016	-	-	-	-	-	-	-	1,016
BALANCE, DECEMBER 31, 2018	34,208,519	29,819	12,580,692	27,558,064	362,703	16,954,448	(24,398)	(70,983)	-	(29,717,344)	61,881,520
Effect of retrospective application	-	-	-	-	-	32,605	-	-	-	-	32,605
ADJUSTED BALANCE, JANUARY 1, 2019	34,208,519	29,819	12,580,692	27,558,064	362,703	16,987,053	(24,398)	(70,983)	-	(29,717,344)	61,914,125
Distribution of 2018 earnings	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	1,364,217	-	(1,364,217)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(267,322)	267,322	-	-	-	-	-
Cash dividends	-	-	-	-	-	(15,366,223)	-	-	-	-	(15,366,223)
Total distribution of earnings	-	-	-	1,364,217	(267,322)	(16,463,118)	-	-	-	-	(15,366,223)
Profit for the year ended December 31, 2019	-	-	-	-	-	12,481,167	-	-	-	-	12,481,167
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	(44,056)	(10,107)	544,393	-	-	490,230
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	12,437,111	(10,107)	544,393	-	-	12,971,397
Conversion of convertible bonds to common stock	750,922	104,285	7,710,366	-	-	-	-	-	-	-	8,565,573
Changes in equity of associates accounted for using equity method	-	-	(17,346)	-	-	(51,217)	-	-	-	-	(68,563)
Other changes in capital surplus	-	-	982	-	-	-	-	-	-	-	982
BALANCE, DECEMBER 31, 2019	<u>\$ 34,959,441</u>	<u>\$ 134,104</u>	<u>\$ 20,274,694</u>	<u>\$ 28,922,281</u>	<u>\$ 95,381</u>	<u>\$ 12,909,829</u>	<u>\$ (34,505)</u>	<u>\$ 473,410</u>	<u>\$ -</u>	<u>\$(29,717,344)</u>	<u>\$ 68,017,291</u>

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

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 14,162,485	\$ 15,537,063
Adjustments for:		
Share of profit of subsidiaries and associates accounted for using equity method	(5,749,646)	(5,707,059)
Depreciation expense	9,765,832	7,020,629
Amortization expense	3,007,799	3,232,577
Amortization of incremental costs of obtaining a contract	2,417,688	3,340,003
Unrealized gain on sales	509	-
Loss on disposal of property, plant and equipment, net	274,349	95,769
Loss on disposal of intangible assets, net	-	128,002
Expected credit loss	233,546	404,943
Finance costs	565,793	597,351
Interest income	(55,988)	(12,331)
Dividend income	(9,735)	(10,424)
Reversal of impairment loss on property, plant and equipment	-	(99,064)
Reversal of impairment loss on investment properties	-	(4,522)
Valuation gain on financial liabilities at fair value through profit or loss	(1,819)	(8,061)
Others	(622)	17
Changes in operating assets and liabilities		
Contract assets	378,537	1,916,814
Notes and accounts receivable	(263,831)	349,950
Accounts receivable due from related parties	(144,388)	(42,446)
Other receivables	417,749	(137,849)
Inventories	(945,800)	974,858
Prepayments	(33,365)	41,589
Other current assets	738,767	(790,937)
Other financial assets	(11,484)	(9,299)
Incremental costs of obtaining a contract	(1,572,544)	(2,112,684)
Contract liabilities	15,270	(650,363)
Accounts payable	442,539	(2,130,956)
Accounts payable due to related parties	(52,978)	(46,902)
Other payables	(514,729)	(491,066)
Provisions	(40,501)	(110,972)
Advance receipts	(9,895)	22,561
Other current liabilities	(80,950)	(7,774)
Net defined benefit liabilities	(15,687)	(16,358)
Cash inflows generated from operating activities	22,916,901	21,273,059
Interest received	42,440	606
Interest paid	(409)	(390)
Income taxes paid	(2,635,874)	(1,466,643)
Net cash generated from operating activities	<u>20,323,058</u>	<u>19,806,632</u>

(Continued)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	\$ (4,425,869)	\$ (5,175,390)
Acquisition of right-of-use assets	(14,635)	-
Acquisition of intangible assets	(129,657)	(202,839)
Increase in prepayments for equipment	(169,632)	(310,256)
Increase in prepayments for investment	(100,000)	-
Acquisition of investments accounted for using equity method	(235,000)	-
Cash outflow on acquisition of subsidiaries	(5,000)	-
Proceeds from disposal of property, plant and equipment	60,098	33,744
Increase in refundable deposits	(1,099,187)	(108,010)
Decrease in refundable deposits	101,122	121,201
Increase in other financial assets	(480)	-
Decrease in other financial assets	720	2,448,000
Interest received	9,792	12,929
Dividend received	<u>5,040,733</u>	<u>5,172,812</u>
Net cash generated from (used in) investing activities	<u>(966,995)</u>	<u>1,992,191</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	5,300,000	(300,000)
Borrowings from related parties	12,797,000	13,265,000
Repayments of borrowings from related parties	(12,250,000)	(11,107,000)
Increase (decrease) in short-term notes and bills payable	399,285	(4,096,683)
Proceeds from issue of bonds	-	14,984,564
Repayments of bonds payable	(4,500,000)	(7,400,000)
Repayment of long-term borrowings	(2,000,000)	(11,000,000)
Repayment of the principal portion of lease liabilities	(3,354,619)	-
Increase in guarantee deposits received	50,538	59,103
Decrease in guarantee deposits received	(62,174)	(57,044)
Cash dividends paid	(15,366,186)	(15,243,647)
Interest paid	<u>(516,335)</u>	<u>(431,302)</u>
Net cash used in financing activities	<u>(19,502,491)</u>	<u>(21,327,009)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(146,428)	471,814
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,419,168</u>	<u>947,354</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,272,740</u>	<u>\$ 1,419,168</u>

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

(Concluded)

Taiwan Mobile Co., Ltd.
2019 Earnings Distribution Proposal

Unit: NT\$

Item	Amount
Unappropriated retained earnings as of December 31, 2018	491,330,014
Effects of retrospective application	32,605,286
Actuarial losses of 2019	(44,056,400)
Adjustments due to investments accounted for using equity method	(51,217,147)
Unappropriated retained earnings - Adjusted	428,661,753
Net income of 2019	12,481,166,870
Legal reserve appropriation (10%)	(1,248,116,687)
Reversal of special reserve appropriation	95,381,150
Retained earnings available for distribution	11,757,093,086
Appropriation:	
Cash dividends (Note 1)	(11,756,843,920)
Balance of unappropriated retained earnings	249,166

Note 1: Refer to the second proposed resolution regarding the distribution of the 2019 retained earnings.



Taiwan Mobile Co., Ltd.

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"> 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; 	<p>The scope of business of the Company shall be:</p> <ol style="list-style-type: none"> 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; 	Added the scope of business.

Article	Amended	Original	Explanation
	21. JE01010 Rental and Leasing Business; and 22. J401010 Motion Picture Production 23. J402010 Motion Picture Distribution 24. J503020 Television Production 25. J503030 Broadcasting and Television Program Distribution 26. E501011 Water Pipe Construction 27. EZ05010 Apparatus Installation Construction 28. ZZ99999 Any other business (other than those approved by the relevant authorities) not prohibited or restricted by law.	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.	
34	These Articles of Incorporation were agreed to and signed on 30 January 1997. ... The twenty- eighth amendment was made on 12 June 2019 The twenty- ninth amendment was made on 18 June 2020	These Articles of Incorporation were agreed to and signed on 30 January 1997. ... The twenty- eighth amendment was made on 12 June 2019	Added the amendment sequence number, and the date of the latest amendment to the Articles of Incorporation.



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. [J401010 Motion Picture Production](#)
23. [J402010 Motion Picture Distribution](#)
24. [J503020 Television Production](#)
25. [J503030 Broadcasting and Television Program Distribution](#)
26. [E501011 Water Pipe Construction](#)
27. [EZ05010 Apparatus Installation Construction](#)
28. 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, or the Vice Chairman becomes vacant, 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 respectively 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 or becomes vacant, 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.

The twenty- eighth amendment was made on 12 June 2019.

The twenty- ninth amendment was made on 18 June 2020.

Rules and Procedures Governing Shareholders' Meeting
- Before and After Amendments for Comparison

Article	Amended	Original	Explanation
2	<p>(Paragraph 1 is omitted)</p> <p>The Meeting shall be held at the premises of Company or at a place that is both convenient for shareholders to attend and suitable for holding the Meeting. The Meeting shall start not earlier than 9:00 a.m. or later than 3:00 p.m.</p> <p>The Company may appoint designated counsel, Certified Public Accountant or other relevant persons to attend the Meeting.</p> <p>The staff in charge of handling the affairs of the Meeting shall wear badges.</p> <p>If the Meeting is called by the board of directors, the board chairman shall preside at the Meeting. In case the chairman is on leave of absence, or cannot exercise his powers and authority, the vice chairman shall act in lieu of him. If there is no vice chairperson, or the vice chairman is also on leave of absence, or cannot exercise his powers and authority, the chairman shall designate a director to act in lieu of him. If the chairman does not designate a director, the directors shall elect one from among themselves to act in lieu of the chairman. If the Meeting is called by</p>	<p>(Paragraph 1 is omitted)</p> <p>The Meeting shall be held at the Company's headquarter or at a place that is both convenient for shareholders to attend and suitable for holding the Meeting. The Meeting shall start not earlier than 9:00 a.m. or later than 3:00 p.m.</p> <p>The Company may appoint designated counsel, Certified Public Accountant or other relevant persons to attend the Meeting.</p> <p>The staff in charge of handling the affairs of the Meeting shall wear badges.</p> <p>If the Meeting is called by the board of directors, the board chairman shall preside at the Meeting. In case the chairman is on leave of absence, or cannot exercise his powers and authority, the vice chairman shall act in lieu of him. If the vice chairman is also on leave of absence, or cannot exercise his powers and authority, the chairman shall designate a director to act in lieu of him. If the chairman does not designate a director, the directors shall elect one from among themselves to act in lieu of the chairman. If the Meeting is called by any other person than the board of directors,</p>	<p>Amend in accordance with the current regulations and the company's practical operation.</p>

	<p>any other person than the board of directors, who has the right to call the Meeting, the said person shall preside at that Meeting. If there are more than two said persons calling the Meeting, one of the two persons shall be chairing the Meeting.</p> <p>The entire proceedings of the Meeting shall be tape recorded and videotaped and these tapes shall be archived for a minimum of one year.</p>	<p>who has the right to call the Meeting, the said person shall preside at that Meeting. If there are more than two said persons calling the Meeting, one of the two persons shall be chairing the Meeting.</p> <p>The entire proceedings of the Meeting shall be tape recorded or videotaped and these tapes shall be archived for a minimum of one year.</p>	
2-1	<p>Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of the Company may propose to the Company a proposal for discussion at the Meeting, and only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. <u>However, in case the shareholder proposal is to urge the Company to promote public interest or fulfill its social responsibilities, the board of directors may still include it in the agenda.</u> The board of directors may exclude a proposal into the agenda if the proposal falls under any clause set forth in Company Act Article 172-1, Paragraph 4.</p> <p>Prior to the date on which share transfer registration is suspended before the convention of the Meeting, the Company shall give a public notice announcing <u>the written or electronical way</u>, the place and the period for shareholders to submit proposals for discussions at the Meeting; and the period for accepting such proposals shall not be less than ten (10) days.</p> <p>The number of words of a proposal to be submitted by a shareholder shall be limited to no more than three hundred</p>	<p>Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of the Company may propose to the Company a <u>written</u> proposal for discussion at the Meeting, <u>but</u> only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. The board of directors may exclude a proposal from the agenda if the proposal falls under any clause set forth in Company Act Article 172-1, Paragraph 4.</p> <p>Prior to the date on which share transfer registration is suspended before the convention of the Meeting, the Company shall give a public notice announcing the place and the period for shareholders to submit proposals for discussions at the Meeting; and the period for accepting such proposals shall not be less than ten (10) days.</p> <p>The number of words of a proposal to be submitted by a shareholder shall be limited to no more than three hundred</p>	<p>Add the provision that the shareholder proposal which is to urge the Company to promote public interest or fulfill its social responsibilities may be included in the agenda.</p>

	<p>(300) words, and any proposal containing more than 300 words shall not be included in the agenda of the Meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the Meeting where his proposal is to be discussed and shall take part in the discussion of such proposal.</p> <p>(The followings are omitted)</p>	<p>(300) words, and any proposal containing more than 300 words shall not be included in the agenda of the Meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the Meeting where his proposal is to be discussed and shall take part in the discussion of such proposal.</p> <p>(The followings are omitted)</p>	
5	<p>If the Meeting is convened by the board of directors, the agenda of the Meeting shall be set by the board of directors. <u>Related motions (including extraordinary motions and amendments to original proposals) shall be resolved by voting.</u> Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the scheduled agenda.</p> <p>If the Meeting is convened by any person other than the board of directors, the provision set forth in the preceding paragraph shall be applicable mutatis mutandis.</p> <p>Unless otherwise resolved at the Meeting, the chairman shall not adjourn the Meeting until the discussion items (including extraordinary motions) listed on the agenda have been resolved.</p> <p>After the Meeting is adjourned, the shareholders shall not appoint another chairman to continue the Meeting at the same place or at a new location unless the chairman has violated the Rules and Procedures for the Meeting in adjourning the Meeting.</p>	<p>If the Meeting is convened by the board of directors, the agenda of the Meeting shall be set by the board of directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the scheduled agenda.</p> <p>If the Meeting is convened by any person other than the board of directors, the provision set forth in the preceding paragraph shall be applicable mutatis mutandis.</p> <p>Unless otherwise resolved at the Meeting, the chairman shall not adjourn the Meeting until the discussion items (including extraordinary motions) listed on the agenda have been resolved.</p> <p>After the Meeting is adjourned, the shareholders shall not appoint another chairman to continue the Meeting at the same place or at a new location unless the chairman has violated the Rules and Procedures for the Meeting in adjourning the Meeting.</p>	<p>Amend the resolution method of the motion.</p>
11	<p>After the speech of a shareholder, the chairman may respond in person or appoint an appropriate person to respond. When the chairman considers that the discussion item has reached the</p>	<p>After the speech of a shareholder, the chairman may respond in person or appoint an appropriate person to respond. When the chairman considers that the discussion item has reached the extent for</p>	<p>Add the provision that the chairman shall arrange sufficient time</p>

	extent for making a resolution, he may announce discontinuance of the discussion and submit the motion for resolution, <u>and shall arrange sufficient time for voting.</u>	making a resolution, he may announce discontinuance of the discussion and submit the motion for resolution.	for voting.
12	Unless otherwise specified for in the Company Act or the Articles of Incorporation of the Company, resolutions shall be adopted by a majority vote at the Meeting. (The followings are omitted)	Unless otherwise specified for in the Company Act or the Articles of Incorporation of the Company, resolutions shall be adopted by a majority vote at the Meeting. <u>The resolution is deemed to have been adopted if no objection is heard in response to the chairman's inquiry. Such a resolution is equivalent to a decision duly resolved through voting.</u> (The followings are omitted)	Delete the conflicting provision given that all motions shall be resolved by voting.



Rules and Procedures Governing Shareholders' Meeting

Article 1: The Company's Shareholders' meeting (the "Meeting") shall be conducted in accordance with the Rules and Procedures.

Article 2: Shareholders attending the Meeting shall submit the attendance card for the purpose of signing in. Representatives appointed by institutional shareholders to attend the Meeting shall submit the Letter of Appointment and the supporting identification documents of the appointee upon signing in. If an institutional shareholder appoints both a proxy and a representative, the appointed representative shall be accepted.

The Meeting shall be held at the premises of Company or at a place that is both convenient for shareholders to attend and suitable for holding the Meeting. The Meeting shall start not earlier than 9:00 a.m. or later than 3:00 p.m.

The Company may appoint designated counsel, Certified Public Accountant or other relevant persons to attend the Meeting.

The staff in charge of handling the affairs of the Meeting shall wear badges.

If the Meeting is called by the board of directors, the board chairman shall preside at the Meeting. In case the chairman is on leave of absence, or cannot exercise his powers and authority, the vice chairman shall act in lieu of him. If there is no vice chairperson, or the vice chairman is also on leave of absence, or cannot exercise his powers and authority, the chairman shall designate a director to act in lieu of him. If the chairman does not designate a director, the directors shall elect one from among themselves to act in lieu of the chairman. If the Meeting is called by any other person than the board of directors, who has the right to call the Meeting, the said person shall preside at that Meeting. If there are more than two said persons calling the Meeting, one of the two persons shall be chairing the Meeting.

The entire proceedings of the Meeting shall be tape recorded and videotaped and these tapes shall be archived for a minimum of one year.

Article 2-1: Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of the Company may propose to the Company a proposal for discussion at the Meeting, and only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. However, in case the shareholder proposal is to urge the Company to promote public interest or fulfill its social responsibilities, the board of directors may still include it in the agenda. The board of directors shall not include a proposal into the agenda if the proposal falls under any clause set forth in Company Act Article 172-1, Paragraph 4. Prior to the date on which share transfer registration is suspended before the convention of the Meeting, the Company shall give a public notice announcing the written or electronical way, the place and the period for shareholders to submit proposals for discussions at the Meeting; and the period for accepting such proposals shall not be less than ten(10) days.

The number of words of a proposal to be submitted by a shareholder shall be limited to no more than three hundred (300) words, and any proposal containing more than 300 words shall not be included in the agenda of the Meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the Meeting where his proposal is to be discussed and shall take part in the discussion of such proposal.

The Company shall, prior to preparing and delivering the Meeting notice, inform the proposal submitting shareholders of the results of the proposal, and shall list in the Meeting notice the proposals conforming to the requirements set out in this rule. With regard to the proposals submitted by shareholders but not included in the agenda of the Meeting, the cause for exclusion of such proposals and explanation shall be made by the board of directors at the Meeting to be convened.

Article 3: The presence of shareholders in the Meeting and their voting thereof shall be calculated in accordance with the number of shares.

The number of shares representing shareholders present at the Meeting shall be calculated based on the submitted attendance cards plus the number of shares whose voting powers are exercised in writing or by way of electronic transmission.

Article 4: The chairman shall call the Meeting to order at the time scheduled for the Meeting provided that the number of shares represented by the shareholders present at the Meeting reaches the specified quorum. The chairman may postpone the start time for the Meeting if the number of represented shares has not yet constituted the quorum at the time of the Meeting. The number of postponement shall be limited to a maximum of two times and each postponement shall not exceed thirty minutes. If after two postponements no quorum can yet be constituted but the number of represented shares is more than one-third of the total issued shares, tentative resolutions may be made by a majority vote of the present shareholders in accordance with Article 175 of the Company Act. If during the process of tentative resolutions the number of represented shares becomes sufficient to constitute the quorum, the Chairman may call the Meeting to order and submit the tentative resolutions to the Meeting for approval.

Article 5: If the Meeting is convened by the board of directors, the agenda of the Meeting shall be set by the board of directors. Related motions (including extraordinary motions and amendments to original proposals) shall be resolved by voting. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the scheduled agenda.

If the Meeting is convened by any person other than the board of directors, the provision set forth in the preceding paragraph shall be applicable *mutatis mutandis*.

Unless otherwise resolved at the Meeting, the chairman shall not adjourn the Meeting until the discussion items (including extraordinary motions) listed on the agenda have been resolved.

After the Meeting is adjourned, the shareholders shall not appoint another chairman to continue the Meeting at the same place or at a new location unless the chairman has violated the Rules and Procedures for the Meeting in adjourning the Meeting.

Article 6: During the proceedings of the Meeting, the chairman may, at his discretion, set time for intermission.

Article 7: When a shareholder present at the Meeting wishes to speak, the shareholder shall first fill out a slip, specifying therein the shareholder's serial number (or the number of attendance card), the name of the shareholder, and the key points of the speech. The chairman shall determine the sequence of speeches by the shareholders.

If any shareholder present at the Meeting submits a slip for speech but does not speak, no speech shall be deemed to have been made by such shareholder. In case there is a discrepancy between the contents of the speech and the contents specified on the slip, the contents of actual speech shall prevail.

Article 8: A shareholder shall not speak more than two times for each discussion item, unless with the prior consent from the chairman, and each speech shall not exceed 5 minutes.

Article 9: In case the speech of a shareholder violates the time provisions or exceeds the scope of the discussion item, the chairman may stop the speech of such shareholder. While a shareholder is speaking, other shareholders shall not interrupt the speech unless the shareholders have obtained prior consent of the chairman and the speaking shareholder. Otherwise, the chairman shall stop such interruption. If the offender defies the order to stop, Article XIV shall be applicable.

Article 10: Any legal entity designated as proxy by a shareholder to be present at the Meeting may appoint only one representative to attend the Meeting. If an institutional shareholder designates two or more representatives to attend the Meeting, only one representative may speak for each discussion item.

Article 11: After the speech of a shareholder, the chairman may respond in person or appoint an appropriate person to respond. When the chairman considers that the discussion item has reached the extent for making a resolution, he may announce discontinuance of the discussion and submit the motion for resolution, and shall arrange sufficient time for voting.

Article 12: Unless otherwise specified for in the Company Act or the Articles of Incorporation of the Company, resolutions shall be adopted by a majority vote at the Meeting.

In case of an amendment or an alternative to a discussion item, the chairman shall determine the sequence of voting. If any one of them has been resolved, the other(s) shall be deemed vetoed and no further voting is necessary.

Each share hereof is entitled to one voting power. However, shares that fall under the clause set forth under Article 179-2 of the Company Act shall have no voting power.

Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power represented by the person shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted.

Article 13: The persons for supervising the casting of votes and the counting thereof for resolutions shall be designated by the chairman. The person supervising the casting of votes, however, shall be a shareholder. The results of resolution(s) shall be announced in the Meeting, and recorded in the Meeting minutes.

- Article 14:** The chairman may direct disciplinary (or security) personnel to assist in maintaining the order of the Meeting. Such disciplinary (or security) personnel shall wear badges marked “Disciplinary Personnel” for identification purposes. The chairman or the disciplinary (or security) personnel may expel anyone who disturbs the order of the Meeting.
- Article 15:** If the continuation of the Meeting proves to be impossible due to force majeure, the chairman may suspend or reschedule the Meeting.
- Article 16:** Any matters not provided in the Rules and Procedures shall be handled in accordance with the Company Act, Articles of Incorporation of the Company and relevant laws and regulations.
- Article 17:** The Rules & Procedures were put into effect by the Founders’ Meeting. Any amendments are subject to the approval of the Shareholders’ Meeting.

Rules for Election of the Directors
- Before and After Amendments for Comparison

Article	Amended	Original	Explanation
6	<p><u>Within the scope of execution of business, an independent director of the Company shall maintain independence, and may not have any direct or indirect interest in the Company.</u> Two years before being elected or during the term of office, an independent director of the Company <u>shall not have</u> been or be any of the following:</p> <ol style="list-style-type: none"> 1. An employee of the Company or any of its affiliates. 2. A director or supervisor of the Company or any of its affiliates. 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 others' names, in an aggregate 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, <u>of a</u> 	<p>Two years before being elected or during the term of office, an independent director of the Company <u>may not have</u> any of the following:</p> <ol style="list-style-type: none"> 1. An employee of the Company or any of its affiliates. 2. A director or supervisor of the Company or any of its affiliates. <u>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.</u> 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 <u>amount</u> 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 	<p>Amend the independence criteria for independent director according to the revision of laws and regulations.</p>

<p><u>managerial officer under subparagraph 1 or</u> any of the persons in the preceding <u>two</u> subparagraphs.</p> <p>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, <u>or</u> that ranks among the top five in shareholdings, <u>or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act.</u></p> <p>6. <u>If a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.</u></p> <p>7. <u>If the chairperson, president, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.</u></p> <p>8. A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.</p> <p>9. A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides <u>auditing services</u> to the Company or any affiliate of the Company, <u>or that provides</u> commercial, legal, financial, accounting <u>or related</u> services to the Company or any affiliate of the Company <u>for which the provider</u></p>	<p>within the third degree of kinship, of any of the persons in the preceding <u>three</u> subparagraphs.</p> <p>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.</p> <p>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.</p> <p>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 <u>or consultation</u> to the Company or to any affiliates of the Company, or a spouse thereof.</p>	
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	<p><u>in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.</u></p> <p><u>Subparagraph 2 and subparagraphs 5 to 7 of the preceding paragraph do not apply to independent directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.</u></p> <p>The paragraph <u>1</u> 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 <u>8</u> of the paragraph <u>1</u>, but is currently no longer in that position.</p> <p>No independent director of the Company may concurrently serve as an independent director of more than three other public companies.</p>	<p>The <u>preceding</u> 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 <u>6</u> of the <u>preceding</u> paragraph, but is currently no longer in that position.</p> <p>No independent director of the Company may concurrently serve as an independent director of more than three other public companies.</p>	
7	<p>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</p>	<p>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</p>	<p>Amend the process of director candidate nomination</p>

<p>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.</p> <p>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.</p> <p>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:</p> <ol style="list-style-type: none"> 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. <p>When providing a recommended slate of director candidates under the preceding paragraph, a shareholder <u>or</u> the board of directors shall <u>specify</u> each nominee's name, educational background, working experience, <u>and submit therewith</u></p>	<p>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.</p> <p>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.</p> <p>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:</p> <ol style="list-style-type: none"> 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. <p>When providing a recommended slate of director candidates under the preceding paragraph, a shareholder <u>and</u> the board of directors shall include in the documentation <u>attached</u> thereto each nominee's name, educational background,</p>	<p>according to the revision of laws and regulations.</p>
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<p><u>documentation that the nominees meet the requirements of Article 5, paragraph 1, and Article 6</u>, and other documentary proof.</p> <p>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:</p> <ol style="list-style-type: none"> 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. <p>The Company shall, forty days prior to</p>	<p>working experience, <u>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</u>, and other <u>relevant</u> documentary proof.</p> <p>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:</p> <ol style="list-style-type: none"> 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. <p><u>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.</u></p> <p>The Company shall, forty days prior to</p>	
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	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.	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, <u>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.</u>	
	(delete)	<u>Article 15</u> <u>The Company's Board of Directors shall issue notifications to the directors elected.</u>	Delete this article according to the practice
15	Article <u>15</u> (omitted)	Article <u>16</u> (omitted)	Amend the article number

Rules for Election of the Directors

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 Within the scope of execution of business, an independent director of the Company shall maintain independence, and may not have any direct or indirect interest in the Company.

Two years before being elected or during the term of office, an independent director of the Company shall not have been or be 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 a managerial officer under subparagraph 1 or any of the persons in the preceding two 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 ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act.
6. If a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
7. If the chairperson, president, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
8. A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.
9. A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

Subparagraph 2 and subparagraphs 5 to 7 of the preceding paragraph do not apply to independent directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.

The paragraph 1 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 8 of the paragraph 1, 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 specify each nominee's name, educational background, working experience, and submit therewith documentation that the nominees meet the requirements of Article 5, paragraph 1, and Article 6, and other 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 These Regulations shall be effective from the date they are approved in the shareholder's meeting. The same applies to amendments.



Taiwan Mobile Co., Ltd.

Rules for Election of the Directors

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

APPENDICES

Appendix I

Shares Owned by Directors

As of April 20, 2020

Title	Name	Current Shareholding	
		Shares	%
Chairman	Fu-Chi Investment Co., Ltd. Representative: Daniel M. Tsai	5,748,763	0.16%
Director	Fu-Chi Investment Co., Ltd. Representative: Richard M. Tsai	5,748,763	0.16%
Independent Director	Jack J.T. Huang	0	0.00%
Independent Director	Hsueh-Jen Sung	0	0.00%
Independent Director	Char-Dir Chung	0	0.00%
Independent Director	Hsi-Peng Lu	0	0.00%
Director	TCC Investment Co., Ltd. Representative: Howard Lin	200,496,761	5.71%
Director	Fu-Chi Investment Co., Ltd. Representative: Chris Tsai	5,748,763	0.16%
Director	TCC Investment Co., Ltd. Representative: Jamie Lin	200,496,761	5.71%

The total shares owned by the directors are 206,245,524 shares, or 5.87% of the total issued shares.

Note:

1. According to Article 26 of the Security and Exchange Act, total shares owned by all directors shall not be less than 2.4% of total shares issued, or 84,225,036 shares.
2. As the Company's supervisors were replaced by the Audit Committee, the minimum holding requirement of supervisors no longer applies.



Taiwan Mobile Co., Ltd.

Articles of Incorporation

Last amended on June 12, 2019

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, or the Vice Chairman becomes vacant, 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 respectively 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 or becomes vacant, 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.
The twenty-eighth amendment was made on 12 June 2019.



Rules and Procedures Governing Shareholders' Meeting

Article 1: The Company's Shareholders' meeting (the "Meeting") shall be conducted in accordance with the Rules and Procedures.

Article 2: Shareholders attending the Meeting shall submit the attendance card for the purpose of signing in.

Representatives appointed by institutional shareholders to attend the Meeting shall submit the Letter of Appointment and the supporting identification documents of the appointee upon signing in. If an institutional shareholder appoints both a proxy and a representative, the appointed representative shall be accepted.

The Meeting shall be held at the Company's headquarter or at a place that is both convenient for shareholders to attend and suitable for holding the Meeting. The Meeting shall start not earlier than 9:00 a.m. or later than 3:00 p.m.

The Company may appoint designated counsel, Certified Public Accountant or other relevant persons to attend the Meeting.

The staff in charge of handling the affairs of the Meeting shall wear badges.

If the Meeting is called by the board of directors, the board chairman shall preside at the Meeting. In case the chairman is on leave of absence, or cannot exercise his powers and authority, the vice chairman shall act in lieu of him. If the vice chairman is also on leave of absence, or cannot exercise his powers and authority, the chairman shall designate a director to act in lieu of him. If the chairman does not designate a director, the directors shall elect one from among themselves to act in lieu of the chairman. If the Meeting is called by any other person than the board of directors, who has the right to call the Meeting, the said person shall preside at that Meeting. If there are more than two said persons calling the Meeting, one of the two persons shall be chairing the Meeting.

The entire proceedings of the Meeting shall be tape recorded or videotaped and these tapes shall be archived for a minimum of one year.

Article 2-1: Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of the Company may propose to the Company a proposal for discussion at the Meeting, but only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. The board of directors shall not include a proposal into the agenda if the proposal falls under any clause set forth in Company Act Article 172-1, Paragraph 4.

Prior to the date on which share transfer registration is suspended before the convention of the Meeting, the Company shall give a public notice announcing the place and the period for shareholders to submit proposals for discussions at the Meeting; and the period for accepting such proposals shall not be less than ten(10) days.

The number of words of a proposal to be submitted by a shareholder shall be limited to no more than three hundred (300) words, and any proposal containing more than 300 words shall not be included in the agenda of the Meeting. The shareholder who has submitted a proposal shall attend, in person or by a proxy, the Meeting where his proposal is to be discussed and shall take part in the discussion of such proposal.

The Company shall, prior to preparing and delivering the Meeting notice, inform the proposal submitting shareholders of the results of the proposal, and shall list in the Meeting notice the proposals conforming to the requirements set out in this rule. With regard to the proposals submitted by shareholders but not included in the agenda of the Meeting, the cause for exclusion of such proposals and explanation shall be made by the board of directors at the Meeting to be convened.

Article 3: The presence of shareholders in the Meeting and their voting thereof shall be calculated in accordance with the number of shares.

The number of shares representing shareholders present at the Meeting shall be calculated based on the submitted attendance cards plus the number of shares whose voting powers are exercised in writing or by way of electronic transmission.

Article 4: The chairman shall call the Meeting to order at the time scheduled for the Meeting provided that the number of shares represented by the shareholders present at the Meeting reaches the specified quorum. The chairman may postpone the start time for the Meeting if the number of represented shares has not yet constituted the quorum at the time of the Meeting. The number of postponement shall be limited to a maximum of two times and each postponement shall not exceed thirty minutes. If after two postponements no quorum can yet be constituted but the number of represented shares is more than one-third of the total issued shares, tentative resolutions may be made by a majority vote of the present shareholders in accordance with Article 175 of the Company Act. If during the process of tentative resolutions the number of represented shares becomes sufficient to constitute the quorum, the Chairman may call the Meeting to order and submit the tentative resolutions to the Meeting for approval.

Article 5: If the Meeting is convened by the board of directors, the agenda of the Meeting shall be set by the board of directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the scheduled agenda.

If the Meeting is convened by any person other than the board of directors, the provision set forth in the preceding paragraph shall be applicable *mutatis mutandis*.

Unless otherwise resolved at the Meeting, the chairman shall not adjourn the Meeting until the discussion items (including extraordinary motions) listed on the agenda have been resolved.

After the Meeting is adjourned, the shareholders shall not appoint another chairman to continue the Meeting at the same place or at a new location unless the chairman has violated the Rules and Procedures for the Meeting in adjourning the Meeting.

Article 6: During the proceedings of the Meeting, the chairman may, at his discretion, set time for intermission.

Article 7: When a shareholder present at the Meeting wishes to speak, the shareholder shall first

fill out a slip, specifying therein the shareholder's serial number (or the number of attendance card), the name of the shareholder, and the key points of the speech. The chairman shall determine the sequence of speeches by the shareholders.

If any shareholder present at the Meeting submits a slip for speech but does not speak, no speech shall be deemed to have been made by such shareholder. In case there is a discrepancy between the contents of the speech and the contents specified on the slip, the contents of actual speech shall prevail.

Article 8: A shareholder shall not speak more than two times for each discussion item, unless with the prior consent from the chairman, and each speech shall not exceed 5 minutes.

Article 9: In case the speech of a shareholder violates the time provisions or exceeds the scope of the discussion item, the chairman may stop the speech of such shareholder. While a shareholder is speaking, other shareholders shall not interrupt the speech unless the shareholders have obtained prior consent of the chairman and the speaking shareholder. Otherwise, the chairman shall stop such interruption. If the offender defies the order to stop, Article XIV shall be applicable.

Article 10: Any legal entity designated as proxy by a shareholder to be present at the Meeting may appoint only one representative to attend the Meeting. If an institutional shareholder designates two or more representatives to attend the Meeting, only one representative may speak for each discussion item.

Article 11: After the speech of a shareholder, the chairman may respond in person or appoint an appropriate person to respond. When the chairman considers that the discussion item has reached the extent for making a resolution, he may announce discontinuance of the discussion and submit the motion for resolution.

Article 12: Unless otherwise specified for in the Company Act or the Articles of Incorporation of the Company, resolutions shall be adopted by a majority vote at the Meeting. The resolution is deemed to have been adopted if no objection is heard in response to the chairman's inquiry. Such a resolution is equivalent to a decision duly resolved through voting.

In case of an amendment or an alternative to a discussion item, the chairman shall determine the sequence of voting. If any one of them has been resolved, the other(s) shall be deemed vetoed and no further voting is necessary.

Each share hereof is entitled to one voting power. However, shares that fall under the clause set forth under Article 179-2 of the Company Act shall have no voting power.

Except for trust enterprises or stock agencies approved by the competent authority, when a person who acts as the proxy for two or more shareholders, the number of voting power represented by the person shall not exceed 3% of the total number of voting shares of the company, otherwise, the portion of excessive voting power shall not be counted.

Article 13: The persons for supervising the casting of votes and the counting thereof for resolutions shall be designated by the chairman. The person supervising the casting of votes, however, shall be a shareholder. The results of resolution(s) shall

be announced in the Meeting, and recorded in the Meeting minutes.

Article 14: The chairman may direct disciplinary (or security) personnel to assist in maintaining the order of the Meeting. Such disciplinary (or security) personnel shall wear badges marked “Disciplinary Personnel” for identification purposes. The chairman or the disciplinary (or security) personnel may expel anyone who disturbs the order of the Meeting.

Article 15: If the continuation of the Meeting proves to be impossible due to force majeure, the chairman may suspend or reschedule the Meeting.

Article 16: Any matters not provided in the Rules and Procedures shall be handled in accordance with the Company Act, Articles of Incorporation of the Company and relevant laws and regulations.

Article 17: The Rules & Procedures were put into effect by the Founders’ Meeting. Any amendments are subject to the approval of the Shareholders’ Meeting.