

Chap. 3 Corporate Governance |

Corporate Governance Principles

Execution Principle

The Company acknowledges the importance of good corporate governance and abides by the following practices:

- Timely disclosure of material information
- Maintenance of a check-and-balance system between the board and management
- Set-up of the Audit Committee to ensure the fairness and independence of the CPA
- Allotment of seats for independent board members
- Set-up of the Corporate Governance Committee to ensure sound corporate governance practices and systems be in place
- Adoption of a cash dividend policy based on high earnings payout ratio
- Distribution of all employee bonus in the form of cash

Current Practices

To better the Company's corporate governance practice, the Company has implemented a number of changes in policies and strategies. On June 15, 2006, the Company revised the "Rules and Procedures Governing Shareholders' Meeting," which were set forth on January 30, 1997. On June 5, 2002, the Company revised the "Rules and Procedures on Conducting Transactions between Group Companies and Related Parties," which were first passed on August 31, 1999. On April 30, 2004, the Company approved the "Corporate Governance Committee Charter" (later revised on June 13, 2008) and the "Audit Committee Charter" (later revised on October 26, 2006). On January 31, 2008, the Company revised the "Rules and Procedures Governing Board of Directors' Meeting," which were promulgated on October 28, 2005. And on January 22, 2009, the Company approved the "Regulations Governing Internal Material Information" (For detailed information on the rules and charters, please refer to the Company's official website.) With these changes, the Company's corporate governance mechanism is not only in compliance with Taiwan's Securities and Exchange Act but also adheres to highest international standards.

Current Corporate Governance Practices

Item		Current practice
Shareholding structure and shareholders' interests	Handling of shareholders' suggestions and disputes	The spokesperson or secretarial division personnel handles all non-legal issues; the legal division handles all legal issues.
	Identification of major shareholders and investors with controlling interests	The secretarial division provides a list of shareholders.
	Risk control mechanisms and firewalls between the Company and its subsidiaries	The Company has established "Rules and Procedures on Conducting Transactions between Group Companies and Related Parties" and "Rules and Procedures on Monitoring Subsidiaries" as risk control mechanisms.
Board of directors and its responsibilities	Independent directors	The Company's board includes four independent directors.
	Periodic review of CPA's independence	The Audit Committee conducts periodic reviews.
Communication channels with shareholders		The spokesperson and spokesperson's mailbox serve as the main communication channels between the Company and its shareholders.
Information disclosure	Disclosure of financial, operational and corporate governance information	Disclosure of financial-related and corporate governance information is posted periodically on the Company's website.
	Other ways of disclosing information	The Company has set up an English website, designated personnel to gather and disclose Company information, and appointed a spokesperson.
Functional committees		The Corporate Governance Committee oversees the functions of committees dealing with nominations of board directors and compensation.

Corporate Governance Implementation

Corporate Governance Committee and Audit Committee

The Company's corporate governance structure is composed of two committees: a Corporate Governance Committee and an Audit Committee.

1. Corporate Governance Committee:

The Corporate Governance Committee is composed entirely of independent board directors and its operation is bound by the "Corporate Governance Committee Charter." Its main responsibilities cover the following:

- (1) Maintaining the soundness of the corporate governance mechanism
- (2) Nominating independent directors and supervisors
- (3) Supervising the operations of the board of directors, supervisors and functional committees

2. Audit Committee:

The Audit Committee is composed entirely of independent board directors and its operation is bound by the "Audit Committee Charter." Its main responsibility is to assist the board in overseeing the following:

- (1) Integrity of the Company's financial statements
- (2) Independent auditors' appointment (termination) and integrity/performance
- (3) Internal risk control
- (4) Company's compliance with legal and regulatory requirements
- (5) Company's existing and potential risks

3. Pursuant to the Security and Exchange Act, in the election of annual shareholders' meeting on June 13, 2008, all independent directors elected comprised the Audit Committee to replace the position of supervisors.

Corporate Governance Operation

1. Attendance of board members at board meetings

- (1) The Board of Directors convened 9 times in 2008.

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Chairman	Richard Tsai, Representative of Fu-Chi Venture Corp.	8	1	89%	
Vice Chairman	Daniel Tsai, Representative of Fu-Chi Venture Corp.	7	2	78%	
Director	Harvey Chang, Representative of TFN Investment Co., Ltd.	9	0	100%	Chang replaced the representative of Kuo-Ki Investment Co., Ltd. on June 13, 2008
Director	Vivien Hsu, Representative of TFN Investment Co., Ltd.	9	0	100%	Hsu replaced the representative of Taiwan Fixed Network Co., Ltd. on June 13, 2008
Director	Benny Chen, Representative of Taiwan Fixed Network Co., Ltd.	8	1	89%	
Director	Howard Lin, Representative of Taiwan Fixed Network Co., Ltd.	3	1	75%	Elected on June 13, 2008, Lin was required to attend four meetings.
Director	Victor Kung, Representative of Fu-Chi Venture Corp.	4	0	100%	Elected on June 13, 2008, Kung was required to attend four meetings.
Independent Director	Jack J.T. Huang	9	0	100%	
Independent Director	Tsung-Ming Chung	7	2	78%	
Independent Director	Wen-Li Yeh	8	1	89%	
Independent Director	J. Carl Hsu	6	3	67%	
Director	Nita Ing, Representative of Ching Shang Zhen Corp.	2	2	40%	Ing, who resigned on June 13, 2008, was required to attend five meetings.
Supervisor	Victor Kung, Representative of Fu-Chi Venture Corp.	3	0	60%	Kung, who resigned on June 13, 2008, was required to attend five meetings.

(2) Any objections or issues raised by independent directors against resolutions passed by the Board of Directors pursuant to Article 14-3 of the Securities and Exchange Act: None.

(3) Directors' adherence to Company rules on avoiding conflict of interests:

During the 27th meeting of the fourth Board of Directors on April 29, 2008, independent directors Jack J.T. Huang, Tsung-Ming Chung, Wen-Li Yeh and J. Carl Hsu abstained from voting on candidates for independent directors to avoid conflict of interests in accordance with Articles 178 and 206 of the Company Act.

(4) Other BOD objectives:

a. BOD performance evaluation: The 11th meeting of the fourth session of the BOD approved the "Rules and Procedures on Evaluating BOD Performance" on October 26, 2006. The Corporate Governance Committee will evaluate the BOD performance and submit reports to the BOD with concrete proposals for improvements.

b. Training programs for directors and supervisors: The Company conducts regular seminars in the office to facilitate interaction between the lecturer and directors and meet the required training hours.

c. Information transparency: The Company is committed to upholding transparency in operations and protection of stockholders' interests, and thereby discloses BOD resolutions in a timely and consistent manner. In accordance with Interpretation No. 0970032392, promulgated by the Taiwan Stock Exchange on Nov. 19, 2008, the Company approved the "Regulations on Dealing with Internal Material Information" to ensure information transparency and timely disclosure.

2. Attendance of the Audit Committee members and of the supervisor

In the election of annual shareholders' meeting on June 13, 2008, all independent directors elected comprised the Audit Committee to replace the position of supervisors.

(1) The Audit Committee convened 5 times in 2008.

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Tsung-Ming Chung	5	-	100%	Appointed committee chairman
Independent Director	Jack J.T. Huang	5	-	100%	
Independent Director	Wen-Li Yeh	4	1	80%	
Independent Director	J. Carl Hsu	5	-	100%	

Note :

(1) Any objections or issues raised by the Audit Committee against resolutions, pursuant to Article 14-5 of the Securities and Exchange Act, that were approved by over two-thirds of the directors: None.

(2) Any conflict of interests among independent directors: None.

(3) Communication between independent directors and the Chief Officer of Internal Audit and CPAs:

a. In addition to giving monthly reports to the independent directors, the Chief of Internal Audit presents regular reports on the progress of its audit program at the quarterly Audit Committee meetings.

b. The CPAs present audit reports and findings to independent directors in quarterly Audit Committee meeting. The Chief Office of Internal Audit and CPAs also communicate with independent directors directly as needed.

(2) Supervisor's attendance at 9 board meetings in 2008

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Supervisor	Victor Kung , Representative of Fu-Chi Venture Corp.	3	0	60%	Kung, who resigned on June 13, 2008, was required to attend five meetings.

Note :

- (1) Communication between Supervisors, employees and shareholders: Employees and shareholders may send their requests to the Audit Committee's mailbox.
- (2) Communication between Supervisors, the Chief of Internal Audit and CPAs:
 - a. In addition to giving monthly reports to the supervisors, the Chief of Internal Audit presents regular reports on the progress of its audit program at the quarterly Audit Committee meetings.
 - b. The CPAs present audit reports and findings to supervisors in quarterly Audit Committee meeting. The Chief Office of Internal Audit and CPAs also communicate with supervisors directly as needed.
- (3) Issues raised by supervisors at board meetings: None.

3. Major resolutions at the 2008 shareholders' meeting

Issues discussed and approved:

- (1) 2007 business and financial reports
 - (2) 2007 earnings distribution proposal
 - (3) Amendments to the Company's "Articles of Incorporation"
 - (4) Election of the fifth session of the Board of Directors (including Independent Directors)
 - Directors:
 - Richard Tsai, Daniel Tsai and Victor Kung, representatives of Fu-Chi Venture Corp.
 - Harvey Chang and Vivien Hsu, representatives of TFN Investment Co., Ltd.
 - Benny Chen and Howard Lin, representatives of Taiwan Fixed Network Co., Ltd.
 - Independent Directors:
 - Jack J.T. Huang, Tsung-Ming Chung, Wen-Li Yeh and J. Carl Hsu
 - (5) Removal of non-competition restrictions for the above-mentioned directors
- Resolutions made in the 2008 general shareholders' meeting were all duly executed.

4. Major resolutions between 2008 & the publication date at board meetings

- (1) Approved change in Chief Internal Audit Officer
- (2) Approved the removal of non-competition restrictions on Company management
- (3) Approved 2007 profit distribution proposal
- (4) Approved 1Q 2008 capital expenditure projects for network optimization and 3G implementation
- (5) Approved 1Q 2008 stand-alone and consolidated financial forecasts
- (6) Approved the holding of the 2008 general shareholders' meeting
- (7) Approved the list of candidates for independent directors for the fifth BOD session

- (8) Approved 2008 capital expenditure projects for network optimization and 3G implementation
- (9) Approved 2Q 2008 stand-alone and consolidated financial forecasts
- (10) Elected Richard Tsai and Daniel Tsai, representatives of Fu-Chi Venture Corp., as Chairman and Vice Chairman, respectively
- (11) Set record date for 2007 cash dividend distribution
- (12) Approved 3Q 2008 stand-alone and consolidated financial forecasts
- (13) Approved merger with the Company's subsidiary, TransAsia Telecommunications Inc.
- (14) Approved a second unsecured corporate bond issue
- (15) Approved Company's fifth share buyback plan
- (16) Approved 4Q 2008 stand-alone and consolidated financial forecasts
- (17) Approved the removal of non-competition restrictions on Company management
- (18) Approved 2009 stand-alone and consolidated financial forecasts
- (19) Gave the green light to the Company's participation in future rights issues of Taipei New Horizons Co., Ltd., with the equity investment cap set at NT\$1.92bn
- (20) Approved 2009 capital expenditure projects for network optimization and 3G implementation
- (21) Approved 2008 profit distribution proposal
- (22) Approved the holding of the 2009 general shareholders' meeting

The above information is posted on <http://newmops.tse.com.tw>.

5. Major disputes between directors as well as supervisors in relation to board meeting resolutions from 2008 up to the publication date for 2009 None

Additional Information

1. Training program for directors:

Title	Name	Date of training		Organization	Training program	Hours
		From	To			
Director, Representative of Fu-Chi Venture Corp.	Richard Tsai	2008/08/01	2008/08/01	Corporate Governance Association	Enhancement of Corporate Governance	3.0
		2008/09/05	2008/09/05	Corporate Governance Association	Corporate Governance and Risk Management	3.0
Director, Representative of Fu-Chi Venture Corp.	Daniel Tsai	2008/09/05	2008/09/05	Corporate Governance Association	Corporate Governance and Risk Management	3.0
Director, Representative of TFN Investment Co., Ltd.	Harvey Chang	2008/05/08	2008/05/08	Corporate Governance Association	Corporate Social Responsibility	1.0
		2008/08/01	2008/08/01	Corporate Governance Association	Enhancing Corporate Governance	3.0
		2008/12/02	2008/12/02	Corporate Governance Association / American State Offices Association - Delaware	Speaker for "Forum on Corporate Governance of Financial Institutions"	1.5
Director, Representative of TFN Investment Co., Ltd.	Vivien Hsu	2008/02/19	2008/02/19	Accounting Research and Development Foundation	Changes in Major Shareholders' Holding and Enterprise Tax Planning	4.0
		2008/08/01	2008/08/01	Corporate Governance Association	Enhancing Corporate Governance	3.0
		2008/11/06	2008/11/06	Financial Supervisory Commission, Executive Yuan	Taipei Corporate Governance Forum	6.0
Director, Representative of Taiwan Fixed Network Co., Ltd.	Benny Chen	2008/08/01	2008/08/01	Corporate Governance Association	Enhancing Corporate Governance	3.0
Director, Representative of Taiwan Fixed Network Co., Ltd.	Howard Lin	2008/08/01	2008/08/01	Corporate Governance Association	Enhancing Corporate Governance	3.0
Director, Representative of Fu-Chi Venture Corp	Victor Kung	2008/08/01	2008/08/01	Corporate Governance Association	Enhancing Corporate Governance	3.0
		2008/09/05	2008/09/05	Corporate Governance Association	Corporate Governance and Risk Management	3.0
Independent Director	Jack J.T. Huang	2008/08/01	2008/08/01	Corporate Governance Association	Enhancing Corporate Governance	3.0
		2008/11/26	2008/11/26	Securities & Futures Institute	Speaker for "Legal Responsibility of Directors on Enterprise Mergers and Corporate Governance Forum"	3.0
Independent Director	Tsung-Ming Chung	2008/08/01	2008/08/01	Corporate Governance Association	Enhancing Corporate Governance	3.0
Independent Director	Wen-Li Yeh	2008/08/01	2008/08/01	Corporate Governance Association	Enhancing Corporate Governance	3.0
Independent Director	J. Carl Hsu	2008/08/01	2008/08/01	Corporate Governance Association	Enhancing Corporate Governance	3.0

Note: The programs and hours listed above have fulfilled the training requirements of related regulations.

2. The Company has purchased liability insurance for its directors and supervisors.

3. Resigned/discharged officers responsible for financial reports

Title	Name	Date elected	Date resigned	Reasons
Internal Audit Officer	Jerry Chu	2004.05.12	2008.01.17	Job rotation

Achievements and Recognitions

In spite of the global downturn, Taiwan Mobile still managed to post a record-high EPS of NT\$5.18, its highest record since listing on TSE, enhancing shareholder returns, mainly due to the growth from cable as well as a capital reduction of 24%.

TWM's subsidiaries – Taiwan Fixed Network and Taiwan Fixed Network Investment – gave up their share of the dividends distributed by the Company. This decision – an unprecedented move in the history of locally listed companies – increased minority shareholders' dividend per share to NT\$4.70 from NT\$3.69, evidencing the Company's commitment to maximizing shareholders' interests.

The Company's achievements in corporate governance also won significant recognitions. For the third year in a row, TWM received an "A+" ranking for "Information Transparency and Disclosure" from the Securities and Futures Institute in 2008. The Company ranked among Taiwan's top 10 in the Wall Street Journal's "Asia's 200 Most Admired Companies." Taiwan Mobile was the sole telecom awardee. Additionally, it was also recognized for "Excellence in Corporate Social Responsibility" and ranked No.1 in corporate governance by Commonwealth magazine for the third year in a row.

Certified Public Accountant (CPA) Information

CPA and CPA opinions for the past five years

Year	Accounting firm	Name of CPA	Opinion
2004	Deloitte & Touche	Peter Fan, Morris Yang	Unqualified opinion
2005	Deloitte & Touche	Peter Fan, Vita Kuo	Unqualified opinion
2006	Deloitte & Touche	Peter Fan, Vita Kuo	Modified unqualified opinion
2007	Deloitte & Touche	Peter Fan, Vita Kuo	Modified unqualified opinion
2008	Deloitte & Touche	Vita Kuo, Roger Tai	Modified unqualified opinion

Reasons for changing CPAs in the past five years

Regular job rotations within Deloitte & Touche resulted in the change of CPAs from 2004 to 2008.

CPA Service Fees

Unit: NT\$'000

Accounting firm	Name of CPA		Audit fee	Non-audit fee			Whether the CPA's audit period covers an entire fiscal year		Note
				Company	Other	Subtotal	Yes	No	
Deloitte & Touche	Vita Kuo	Roger Tai	9,220*	172	4,502	4,674	v		Fees for other non-audit services were mainly for consultation

* Increased NT\$1.3 million from 2007 audit fees.

Chairman, CEO, and chief officer of finance or accounting holding positions in the Company's audit firm or its affiliates

None

timely recommendations for future improvements. In accordance with corporate governance, audit reports are regularly submitted to and reviewed by the Chairman as well as the Audit Committee.

Internal Control System

Internal Control Office Organization

The Company's Internal Audit Office is an independent unit that reports directly to the Board of Directors and briefs the CEO on a regular and as-needed basis.

The internal audit office also examines the mechanisms and results of self-evaluations by departments and subsidiaries to ensure strict implementation. In addition, the internal audit office generates and consolidates related inspection reports for the CEO and the Board of Directors to evaluate the overall efficiency of existing internal control systems before generating an internal control system statement.

The Internal Audit Office is responsible for the examination and assessment of the internal controls of the Company's financial, sales, operations, and management departments. All departments, including those of the subsidiaries', are subject to its audit.

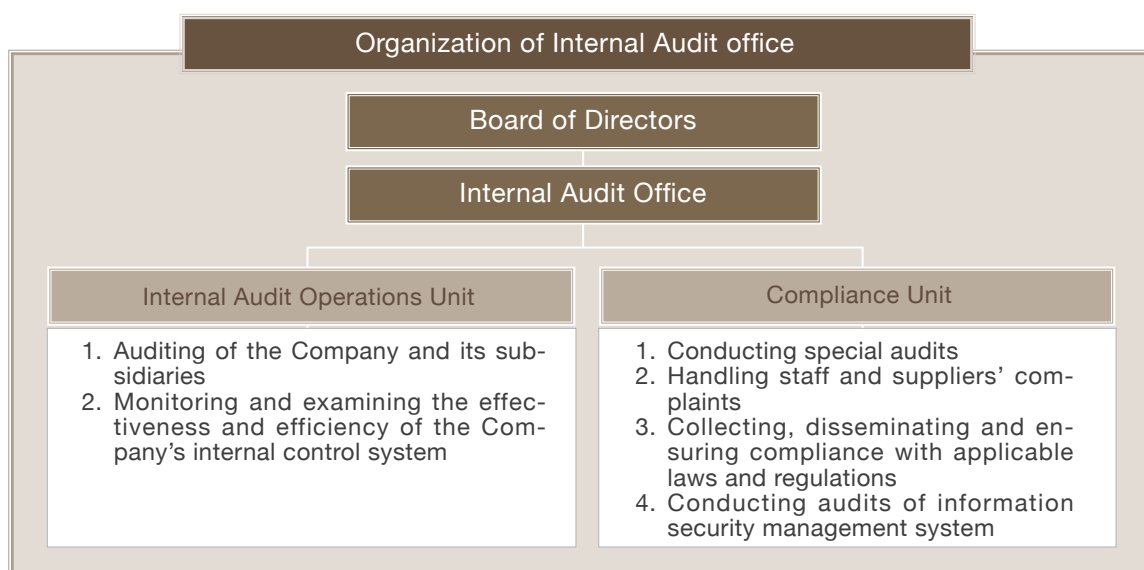
Report from CPA after examining the internal control system

None

Regular internal audits are executed according to the annual audit plan. Special audit projects are implemented as needed. These audits enhance internal control and provide

Violation of regulations and internal policies

None



Taiwan Mobile Co., Ltd.

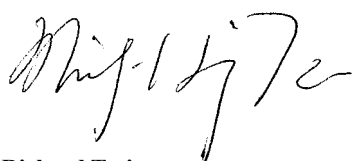
Internal Control Statement

Date: January 22, 2009

Taiwan Mobile (TWM) states the following with regard to its internal control system for the period January 1, 2008 to December 31, 2008:

1. TWM is fully aware that establishing, operating, and maintaining an internal control system are the responsibilities of its Board of Directors and management. TWM has established such a system to provide reasonable assurance in achieving objectives related to the effectiveness and efficiency of operations (including profits, performance, and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. An effective internal control system, no matter how perfectly designed, can provide only a reasonable assurance in the accomplishment of the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, and the Company takes corrective actions as soon as a deficiency is identified.
3. TWM evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems" by Public Companies promulgated by the Securities and Futures Bureau, the Financial Supervisory Commission, and the Executive Yuan (herein referred to as "Regulations"). The internal control system evaluation criteria stated in the Regulations classify internal control into five key elements based on the process of management control: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communications, 5. Monitoring. Please refer to the Regulations for details on these five key elements.
4. TWM has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the third paragraph, TWM believes that during the stated time period, its internal control system (including its supervision of subsidiaries), which encompasses internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of financial reporting, and compliance with applicable laws and regulations, was effectively designed and operating and reasonably assured the achievement of the above-stated objectives.
6. This statement will form a major part of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been passed by TWM Board of Directors' Meeting on January 22, 2009, where all of the 11 attending directors did not express any dissenting opinion and affirmed the content of the same.

Taiwan Mobile Co., Ltd.



Richard Tsai
Chairman



Harvey Chang
President