



Taiwan Mobile Co., Ltd.

2022 Annual General Shareholders' Meeting

Meeting Minutes (Translation)

June 23, 2022

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.

2022 AGM Meeting Minutes

- **Time:** 9:00 a.m., Thursday, June 23, 2022
- **Place:** 6F, No. 88, Yanchang Rd., Xinyi Dist., Taipei City
(Taipei New Horizon Building)
- **Method of Convening the Meeting:** Hybrid (in-person and video conference)
Virtual Meeting URL: <https://www.stockvote.com.tw>
- **Total outstanding shares of Taiwan Mobile** (excluding the shares with no voting rights stipulated in Article 179 of the Company Act): **2,820,482,002 shares**
- **Total shares represented by shareholders present** (including 2,493,734,906 shares represented by shareholders executing voting rights through e-voting): **2,493,984,598 shares**
- **Percentage of shares held by shareholders present: 88.42%**
- **Chairman: Daniel M. Tsai / Recorder: Annie Wu**
- **Directors present:** Daniel M. Tsai, Chairman of the Board of Directors
Richard M. Tsai*, Director
Hsueh-Jen Sung*, Independent Director
Char-Dir Chung*, Independent Director
Hsi-Peng Lu*, Independent Director
Tong Hai Tan*, Independent Director
Drina Yue*, Independent Director
Jamie Lin, Director
(* Attended virtually)
- **Attendees:** Che-Hung Chen, Attorney, Chen and Lin Attorneys-at-Law
Pei-De Chen, CPA, Deloitte & Touche

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

- **Chairman's Address (omitted)**
- **Report Items**
 1. **The 2021 Business Report**
The 2021 Business Report is attached hereto as Attachment I.
 2. **The 2021 Audit Committee Report**
The 2021 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 2021 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 2021 employees' and directors' compensations are NT\$362,060,508 and NT\$36,206,051 respectively, which were approved by the Board and the total amounts were distributed in cash.

4. The Issuance of the Unsecured Corporate Straight Bond in 2021

- (1) To repay bank borrowings and strengthen the Company's financial structure, the board resolved to issue the seventh unsecured straight corporate bond of NT\$2.5bn. The issuance of the aforementioned straight bond was approved by the Taipei Exchange on July 2, 2021, with the Authorization No. 11000066021. The straight bond has been listed on the Taipei Exchange since July 13, 2021.
- (2) The terms and the use of proceed from the bond issuance are attached hereto as Attachment IV.

5. The ESG Plan

The Company officially joined the RE100, a renewable energy initiative, on March 17, 2022. We are the first telecom operator in Taiwan to join this initiative and have committed to using 100% renewable energy throughout the Company by 2040. On May 6, 2022, board of directors formally approved the important goal of achieving Net Zero emissions by 2050. The Net Zero Emissions Plan is attached hereto as Attachment V.

● Proposed Resolutions

1. To approve the 2021 Business Report and Financial Statements

Taiwan Mobile's (The Company) financial statements were audited by certified public accountants, Pei-De Chen and Te-Chen Cheng, of Deloitte & Touche. The 2021 Business Report, CPA's audit report, and financial statements are attached hereto as Attachments I, VI, and VII.

RESOLVED, the above proposal was accepted as submitted.

Voting Results:

Number of shares represented at the time of voting	For		Against	Invalid	Abstained
	Shares	%			
2,493,978,570	2,364,621,787	94.81	947,826	0	128,408,957

2. To approve the proposal for the distribution of 2021 retained earnings

- (1) The Company's 2021 net income was NT\$10,988,164,899 (please see Attachment VIII for the 2021 Earnings Distribution Proposal).
- (2) The cash dividend from retained earnings proposed by the Board is NT\$10,551,987,266. 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 3,519,233,603, the share count entitled to receive dividends is 2,820,482,002, representing a cash dividend of NT\$3.7412 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 as other revenue of the Company.

A shareholder (shareholder account #225830) inquired about quarterly dividend distribution. The inquiry was answered by the Chairman and designated officer.

RESOLVED, the above proposal was accepted as submitted.

Voting Results:

Number of shares represented at the time of voting	For		Against	Invalid	Abstained
	Shares	%			
2,493,978,570	2,366,047,764	94.87	207,820	0	127,722,986

3. To approve the cash return from capital surplus

Cash return from capital surplus proposed by the Board is NT\$1,576,085,343. 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 3,519,233,603, the share count entitled to receive cash return is 2,820,482,002, representing a cash distribution of NT\$0.5588 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 return paid to each shareholder shall be rounded down to the nearest dollar and the remainder will be recognized as other revenue of the Company.

A shareholder (shareholder account #225830) inquired about the rationale behind allocating dividends from capital surplus and whether the remaining capital surplus can be distributed in the future. The inquiry was answered by the Chairman and designated officer.

RESOLVED, the above proposal was accepted as submitted.

Voting Results:

Number of shares represented at the time of voting	For		Against	Invalid	Abstained
	Shares	%			
2,493,978,570	2,345,289,530	94.03	138,961	0	148,550,079

4. To approve revisions to the Articles of Incorporation

To increase the flexibility of convening Shareholders' Meetings, the Company proposed revisions to Article 15-1 of the Articles of Incorporation in accordance with Article 172-2-1 of the Company Act. Please refer to Attachment IX for articles and amendments.

RESOLVED, the above proposal was accepted as submitted.

Voting Results:

Number of shares represented at the time of voting	For		Against	Invalid	Abstained
	Shares	%			
2,493,978,570	2,322,166,537	93.11	21,680,276	0	150,131,757

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

Per regulatory authority’s permission to hold visual communication-assisted Shareholders’ Meetings, the Company proposed revisions to the Rules and Procedures Governing Shareholders’ Meeting. Please refer to Attachment X for completed articles and the before and after amendments for comparison.

RESOLVED, the above proposal was accepted as submitted.

Voting Results:

Number of shares represented at the time of voting	For		Against	Invalid	Abstained
	Shares	%			
2,493,978,570	2,322,149,012	93.11	21,683,342	0	150,146,216

6. To approve revisions to the Rules and Procedures for Acquisition or Disposal of Assets

In compliance with the amendment and issuance per 28 January 2022 Order No. Financial-Supervisory-Securities-Corporate-1110380465 of the Financial Supervisory Commission upon the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, the Company proposed the following amendments:

- (1) Strengthen the management of related party transactions: If the Company or its subsidiary that is a non-domestic public company acquires or disposes the assets from related parties, and the amount of transaction will reach 10% or more of the Company's total assets, that transaction shall be subject to prior approval by the Company's Shareholders’ Meeting. However, this restriction does not apply to the transactions between the Company and its subsidiary or between Company’s subsidiaries.
- (2) Stipulate the procedures and responsibilities that the external counsels/advisors shall follow to improve the quality of the opinions they issue.
- (3) Ease the restriction on announcing the purchase and sale of foreign government bonds and other securities under certain conditions.

Furthermore, to meet the needs of the future developments of the Company’s subsidiaries, the Company proposed to raise the investment limit on the amount of securities that can be purchased by its subsidiaries.

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

RESOLVED, the above proposal was accepted as submitted.

Voting Results:

Number of shares represented at the time of voting	For		Against	Invalid	Abstained
	Shares	%			
2,493,978,570	1,883,435,834	75.51	461,573,925	0	148,968,811

7. 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 a business with the same business scope as the Company until the end of their term of office.

Name	Current position(s) in other companies
Chris Tsai	Director, Taiwan Professional Basketball Development 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 of other shareholders in the AGM.

RESOLVED, the above proposal was accepted as submitted.

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

Number of shares represented at the time of voting	For		Against	Invalid	Abstained
	Shares	%			
2,485,099,380	1,917,059,038	77.14	1,676,094	0	566,364,248

● Others

Shareholders (shareholder account #225830 & #293417) expressed their opinions regarding the proposed mergers in the industry.

A shareholder (shareholder account #225830) inquired about the rationale behind the change of momo.com Inc.'s chairman.

Above inquiries were answered by the Chairman.

Special Motions

None

Meeting Adjourned (Time: 09:51 a.m.)

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

ATTACHMENTS



Business Report

Looking back on 2021, Taiwan Mobile (“TWM”, or “the Company”) demonstrated our corporate resilience and flexibility as we implemented our work from home plan immediately after the first local outbreak of COVID-19 and provided various virtual solutions for enterprises and the society. On the last working day of the year, TWM announced the signing of its merger agreement with T-Star. Upon approval by the regulators, it will allow us to better utilize our 5G spectrum and mobile network infrastructure, a big step toward our sustainability goals. As new business models emerge from the new normal, TWM has striven to explore use cases in 5G, AI, IoT...etc. We accelerated our transformation into a next generation internet technology company, providing comprehensive internet solutions that integrated mobile and fixed line, implementing 5G technology, and enriching our digital and content services, in order to create countless possibilities for a future where the virtual world is integrated with reality. As always, we apply the highest standards in corporate governance, shareholder value, customer satisfaction, and regard sustainability as corporate social responsibility.

2021 operating and financial results

In 2021, the Company reported consolidated revenue of NT\$156.1 billion, EBITDA of NT\$33.1 billion, net profit of NT\$11.0 billion and earnings per share of NT\$3.90. Despite the increase in 5G spectrum amortization and depreciation expenses in the second year of 5G launch, TWM’s net profit turned to YoY growth in the third quarter while full year performance exceeded 2021 guidance. This was a result of 5G-driven revenue growth, healthier competition landscape and government subsidies.

New business roadmap and group resources integration

To expand our scale and create earnings growth, TWM’s merger agreement with T-Star was a critical step in our mobile business. Our investments in digital content also bore fruit in the past year, as we received a number of nominations at the Golden Bell Award. In terms of service offerings, we continued to promote Double Play packages which include 5G unlimited mobile data and high-speed fixed broadband. In addition to various telecom bundles including Disney+ and online gaming, we partnered with Taiwan’s largest e-commerce player momo to offer momo coins in our momobile packages, providing customers with one-stop shopping and better pricing.

Innovative applications and research results

2021 marked the second year of the 5G era. TWM adopted a front-loaded roll-out strategy and joined forces with Mediatek and Nokia to complete the country’s first 5G SA carrier aggregation test, combining 700MHz and 3.5GHz frequency bands. This is expected to significantly improve 5G indoor coverage and bring us closer to “True 5G” network services. On the other hand, to

reduce transmission loss in urban areas and improve 5G network quality and efficiency, we continued to use deep learning to develop network slicing resource management and simulated the transmission between base stations and receivers. We also introduced various use cases in the areas of media and smart homes, such as multiangle live sports streaming, media control and carrier calling for Google Nest smart speakers, and “zero contact” insurance sales via M+’s proprietary two-way communication technology. To address data leakage concerns, we developed a secure communication platform with complete two-way voice and text communication using virtual numbers.

World-class corporate governance

Taiwan Mobile has striven to be a role model in corporate sustainability, with the Company once again receiving numerous commendations for its efforts in the past year. Recognized by CDP (Carbon Disclosure Project), we made the climate change “A” list for three years in a row, the only company in the telecommunication industry. We were also made a constituent of the FTSE4Good TIP Taiwan ESG Index for the fourth consecutive year. Additionally, the Company was included in the Dow Jones Sustainability Indices (DJSI) Emerging Markets Index for the tenth consecutive year and in the DJSI World Index for the 5th time, once again grabbing the No. 1 spot in global telecommunication industry. For seven years in a row, we have been among the top five percent listed companies for its good enterprise governance. Lastly, TWM was awarded a Gold Class award for the first time in S&P Global’ ESG’s “The Sustainability Yearbook 2021”, making us the world’s best telecom service provider in terms of sustainability accomplishments.

Valuing shareholders' interests and customer satisfaction

TWM’s total mobile subscribers will reach 9.8mn after the proposed merger with T-Star, resulting in the highest per-user 3.5GHz spectrum in the industry as we achieve greater scale. The synergies will propel profit growth, generate stable free cash flow and better financial flexibility, and improve shareholder returns and customer satisfaction.

Corporate social responsibility

As a national telecom industry leader, it is our duty not only to continue to pursue solid operational and financial performances, but also to take into account social inclusion, environmental awareness and sustainable future. In 2021, TWM participated in the first-ever GeSi “Digital With Purpose” movement, and aims to achieve 100% green energy in our cloud IDC by 2030, and RE100 by 2040. Our efforts were also recognized by different organizations in Taiwan, as we earned the Best Telecommunications Company title in Global Views Monthly’s CSR Awards for the 3rd time, and our 14th Excellence in Corporate Social Responsibility Award from Commonwealth Magazine, where we ranked first in the telecom industry for the sixth consecutive year. The Company earned further distinction by receiving eight awards at the 2021 Taiwan Corporate Sustainability Awards (TCSA) and won “The Most Prestigious Sustainability Awards – Top Ten Domestic Companies” for the 7th time, scoring the highest among awardees of the "Growth Through Innovation

Leadership Award" under the Service and Information Communication Industry segment.

Outlook

The pandemic accelerated the shift to a virtual lifestyle, evidenced by the rapid development in 5G technology, advancements in telemedicine and the boom in online learning, digital media, and remote working. Telecom service providers also expect to play an even more important role going forward, as the maturation of 5G applications such as IoT, wearable devices and metaverse, will stimulate the demand in high-speed and low-latency networks. Vast network construction relies on economies of scale and with the Company's proposed merger with Taiwan Star, we will gain the upper hand in 5G spectrum efficiency while making a positive influence on environmental sustainability. TWM did not slow down its enterprise transformation either. Underpinned by a strong business foundation combining telecom and e-commerce, we will continue to invest in related startups to integrate innovation into everyday life, in order to seize market opportunities and develop new growth prospects. At the same time, TWM will continue its efforts in energy saving and carbon reduction and enhance stakeholder value in all aspects.

Daniel M. Tsai
Chairman

Attachment II

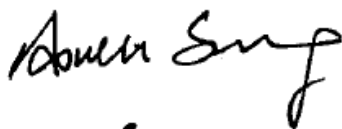


Audit Committee Report

February 22, 2022

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2021 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.



Hsueh-Jen Sung

Chairman of the Audit Committee



Taiwan Mobile Co., Ltd.

Audit Committee Report

May 6, 2022

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's proposal for distribution of the 2021 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".

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 Issuance of the Seventh Unsecured Corporate Straight Bond

Issuance Terms:

Issuance		Seventh Unsecured Corporate Straight Bond
Issue date		July 13, 2021
Denomination		NT\$10,000,000
Issuance and listing		Not applicable
Issue price		100% of par value
Total amount		NT\$2,500,000,000
Coupon		Fixed rate at 0.530% per annum
Term		7 years, maturing on July 13, 2028
Guarantor		None
Trustee		Bank of Taiwan
Underwriter		Fubon Securities Co., Ltd.
Legal counsel		Ariel Hwang, Attorney
Auditor		Pei-De Chen, CPA, Casey Lai, CPA Deloitte & Touche
Repayment		100% of the principal at maturity dates
Outstanding balance		NT\$2,500,000,000
Early repayment clause		None
Covenants		None
Credit rating agency, rating date, company credit rating		None
Ancillary rights	Amount converted/exchanged into common shares, ADRs or other securities	Not applicable
	Rules governing issuance or conversion (exchanged or subscribed)	Not applicable
Dilution and other effects on shareholders' equity		Not applicable
Custodian		Not applicable

In accordance with the Company's plan, the proceeds from the NT\$2.5bn bond issuance were used to repay bank borrowings on July 13, 2021.



The 2021 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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 2021 consolidated financial statements are as follows:

Telecommunications and Value-added Services Revenue

The description of key audit matter:

One of the operating revenue sources of the Group is the telecommunications and value-added services revenue. 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 services revenue to be considered as one of the key audit matters.

Corresponding audit procedures:

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

1. Review the contracts of mobile subscribers to ensure the accuracy of information in the accounting system.
2. Perform dialing tests to verify the completeness of the information in the telephone exchange system.
3. Perform system integration tests from telephone-exchange to telephone traffic.
4. Test for the accuracy of call record charge rates and billing calculations.
5. Verify the accuracy of the billing amounts generated from monthly rentals as well as airtime accounting systems and the transfer to the accounting information system.
6. Select the samples from telecommunications and value-added services revenue and agree to the contracts, bills and records of cash receipts.

Sales Revenue

The description of key audit matter:

The Group's another source of operating revenue is generated from the sales through virtual channels, including E-commerce portals, TV shopping channels and catalogues by momo.com Inc. (momo). Due to the nature of momo's core sales, momo offers a wide range of products and services to different customers; the trading quantity is rather high while each transaction is individually low in value and is highly automated through the website and related system. As a result of momo's business model being highly reliant on IT infrastructure and the fact that momo processes, stores and transmits large amounts of data through digital and web-based environment, the risk in revenue recognition is whether the sales amount is transmitted and recorded accurately to the IT system.

Corresponding audit procedures:

By conducting compliance tests, we obtained an understanding of the virtual-channel revenue recognition process and of the design and execution for relevant controls. We also performed major audit procedures which are as follows:

1. Verify the details of invoices in the system to check if the sales amount of each invoice is consistent with its shipping notice and sales order.
2. Confirm the completeness and consistency of transmission through IT system by testing the information transferred from front-end system to general ledger system, and further perform tests on whether the Daily Sales Report in the system is consistent with journal entries of revenue each day.

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, 2021 and 2020 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, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Pei-De Chen and Te-Chen Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 22, 2022

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 Taiwan, 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 Taiwan, 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, 2021		December 31, 2020		LIABILITIES AND EQUITY	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 6 and 29)	\$ 15,402,025	8	\$ 10,777,791	6	Short-term borrowings (Note 17)	\$ 20,510,000	11	\$ 9,800,000	5
Financial assets at fair value through other comprehensive income (Note 7)	268,393	-	245,446	-	Short-term notes and bills payable (Note 17)	4,597,793	2	14,195,385	8
Contract assets (Note 22)	4,667,271	2	4,617,051	3	Contract liabilities (Note 22)	1,894,828	1	1,892,749	1
Notes and accounts receivable, net (Note 8)	7,381,414	4	7,638,043	4	Notes and accounts payable	11,618,449	6	9,625,964	5
Notes and accounts receivable due from related parties (Note 29)	383,074	-	186,903	-	Notes and accounts payable due to related parties (Note 29)	338,560	-	160,556	-
Other receivables (Note 29)	2,734,657	2	1,348,704	1	Other payables (Note 29)	11,000,399	6	11,153,442	6
Inventories (Note 9)	6,440,116	4	5,766,264	3	Current tax liabilities	2,549,382	1	2,192,429	1
Prepayments (Note 29)	527,355	-	652,375	-	Provisions (Note 19)	74,007	-	68,531	-
Non-current assets held for sale	-	-	23,005	-	Lease liabilities (Notes 13, 26 and 29)	3,540,466	2	3,505,968	2
Other financial assets (Notes 29 and 30)	665,606	-	677,891	-	Long-term liabilities, current portion (Notes 17 and 18)	273,459	-	2,935,405	2
Other current assets	182,127	-	159,321	-	Other current liabilities (Note 29)	3,089,429	2	3,001,890	2
Total current assets	38,652,038	20	32,092,794	17	Total current liabilities	59,486,772	31	58,532,319	32
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Financial assets at fair value through profit or loss	273,767	-	-	-	Contract liabilities (Note 22)	89,480	-	102,767	-
Financial assets at fair value through other comprehensive income (Note 7)	3,702,635	2	2,289,746	1	Bonds payable (Note 18)	37,475,497	20	34,973,223	19
Contract assets (Note 22)	5,199,779	3	3,753,081	2	Long-term borrowings (Note 17)	8,556,973	4	8,780,081	5
Investments accounted for using equity method (Notes 10 and 29)	1,880,489	1	1,966,894	1	Provisions (Note 19)	1,392,321	1	1,449,171	1
Property, plant and equipment (Notes 12 and 29)	43,439,740	23	42,479,314	23	Deferred tax liabilities (Note 24)	1,204,261	1	1,063,734	-
Right-of-use assets (Notes 13 and 29)	9,059,855	5	9,011,290	5	Lease liabilities (Notes 13, 26 and 29)	5,552,881	3	5,530,987	3
Investment properties (Note 14)	2,591,691	1	2,626,185	2	Net defined benefit liabilities (Note 20)	463,562	-	534,071	-
Concessions (Notes 15 and 30)	60,493,425	32	64,803,445	35	Guarantee deposits	1,263,822	1	1,165,500	1
Goodwill (Note 15)	15,819,108	8	15,819,108	9	Other non-current liabilities	2,219,960	1	462,537	-
Other intangible assets (Note 15)	5,015,030	3	5,143,958	3	Total non-current liabilities	58,218,757	31	54,062,071	29
Deferred tax assets (Note 24)	709,744	-	883,367	-	Total liabilities	117,705,529	62	112,594,390	61
Incremental costs of obtaining a contract (Note 22)	1,828,387	1	1,771,884	1	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
Other financial assets (Notes 29 and 30)	358,570	-	355,432	-	(Note 21)				
Other non-current assets (Notes 16 and 29)	1,958,269	1	1,588,104	1	Common stock	35,135,201	18	35,124,215	19
Total non-current assets	152,330,489	80	152,491,808	83	Capital collected in advance	57,135	-	-	-
					Capital surplus	16,903,239	9	18,936,574	10
					Retained earnings				
					Legal reserve	31,500,472	17	30,170,398	16
					Special reserve	2,449,739	1	-	-
					Unappropriated earnings	11,028,726	6	13,300,996	7
					Other equity interests	(1,823,415)	(1)	(2,449,739)	(1)
					Treasury stock	(29,717,344)	(16)	(29,717,344)	(16)
					Total equity attributable to owners of the parent	65,533,753	34	65,365,100	35
					NON-CONTROLLING INTERESTS (Note 21)				
						7,743,245	4	6,625,112	4
					Total equity	73,276,998	38	71,990,212	39
TOTAL	\$ 190,982,527	100	\$ 184,584,602	100	TOTAL	\$ 190,982,527	100	\$ 184,584,602	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, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 22, 29 and 35)	\$ 156,109,533	100	\$ 132,860,984	100
OPERATING COSTS (Notes 9, 29, 33 and 35)	<u>124,734,936</u>	<u>80</u>	<u>101,415,248</u>	<u>76</u>
GROSS PROFIT FROM OPERATIONS	<u>31,374,597</u>	<u>20</u>	<u>31,445,736</u>	<u>24</u>
OPERATING EXPENSES (Notes 29, 33 and 35)				
Marketing	10,007,715	6	10,055,415	8
Administrative	5,530,575	4	5,260,967	4
Research and development	242,608	-	214,996	-
Expected credit loss	<u>224,659</u>	<u>-</u>	<u>190,763</u>	<u>-</u>
Total operating expenses	<u>16,005,557</u>	<u>10</u>	<u>15,722,141</u>	<u>12</u>
OTHER INCOME AND EXPENSES, NET (Note 29)	<u>684,001</u>	<u>-</u>	<u>332,565</u>	<u>-</u>
OPERATING INCOME (Note 35)	<u>16,053,041</u>	<u>10</u>	<u>16,056,160</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	56,370	-	66,122	-
Other income	25,398	-	121,592	-
Other gains and losses, net (Note 23)	94,260	-	(267,386)	-
Finance costs (Note 23)	(627,813)	-	(618,588)	-
Share of profit (loss) of associates accounted for using equity method (Note 10)	<u>(19,681)</u>	<u>-</u>	<u>99,891</u>	<u>-</u>
Total non-operating income and expenses	<u>(471,466)</u>	<u>-</u>	<u>(598,369)</u>	<u>-</u>
PROFIT BEFORE TAX	15,581,575	10	15,457,791	12
INCOME TAX EXPENSE (Note 24)	<u>2,756,366</u>	<u>2</u>	<u>3,064,013</u>	<u>3</u>
NET PROFIT	<u>12,825,209</u>	<u>8</u>	<u>12,393,778</u>	<u>9</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 10, 20, 21 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit plans	28,469	-	(37,801)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	679,028	-	(840,451)	-
Share of other comprehensive income (loss) of associates accounted for using equity method	(11,865)	-	21,133	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation	(26,698)	-	7,764	-
Share of other comprehensive loss of associates accounted for using equity method	<u>(1,712)</u>	<u>-</u>	<u>(4,314)</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>667,222</u>	<u>-</u>	<u>(853,669)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 13,492,431</u>	<u>8</u>	<u>\$ 11,540,109</u>	<u>9</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 10,988,165	7	\$ 11,286,553	8
Non-controlling interests	<u>1,837,044</u>	<u>1</u>	<u>1,107,225</u>	<u>1</u>
	<u>\$ 12,825,209</u>	<u>8</u>	<u>\$ 12,393,778</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 11,662,701	7	\$ 10,414,104	8
Non-controlling interests	<u>1,829,730</u>	<u>1</u>	<u>1,126,005</u>	<u>1</u>
	<u>\$ 13,492,431</u>	<u>8</u>	<u>\$ 11,540,109</u>	<u>9</u>
EARNINGS PER SHARE (Note 25)				
Basic earnings per share	<u>\$ 3.90</u>		<u>\$ 4.01</u>	
Diluted earnings per share	<u>\$ 3.89</u>		<u>\$ 3.99</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, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent						Other Equity Interests		Treasury Stock	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				
				Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE, JANUARY 1, 2020	\$ 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
Distribution of 2019 earnings	-	-	-	1,248,117	-	(1,248,117)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	95,381	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(95,381)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(11,756,844)	-	-	-	(11,756,844)	-	(11,756,844)
Total distribution of earnings	-	-	-	1,248,117	(95,381)	(12,909,580)	-	-	-	(11,756,844)	-	(11,756,844)
Cash dividends from capital surplus	-	-	(1,593,624)	-	-	-	-	-	-	(1,593,624)	-	(1,593,624)
Profit for the year ended December 31, 2020	-	-	-	-	-	11,286,553	-	-	-	11,286,553	1,107,225	12,393,778
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(38,068)	2,826	(837,207)	-	(872,449)	18,780	(853,669)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	11,248,485	2,826	(837,207)	-	10,414,104	1,126,005	11,540,109
Conversion of convertible bonds to common stock	164,774	(134,104)	259,109	-	-	-	-	-	-	289,779	-	289,779
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	2,052,067	-	(2,052,067)	-	-	-	-
Changes in equity of associates accounted for using equity method	-	-	(1,721)	-	-	(2,001)	-	-	-	(3,722)	(1,490)	(5,212)
Disposal of investments accounted for using equity method	-	-	(2,738)	-	-	2,196	-	(2,196)	-	(2,738)	(3,344)	(6,082)
Other changes in capital surplus	-	-	854	-	-	-	-	-	-	854	-	854
Cash dividends for non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(655,043)	(655,043)
BALANCE, DECEMBER 31, 2020	35,124,215	-	18,936,574	30,170,398	-	13,300,996	(31,679)	(2,418,060)	(29,717,344)	65,365,100	6,625,112	71,990,212
Distribution of 2020 earnings	-	-	-	1,330,074	-	(1,330,074)	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	2,449,739	-	-	-	-	-	-
Special reserve	-	-	-	-	2,449,739	(2,449,739)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(9,521,178)	-	-	-	(9,521,178)	-	(9,521,178)
Total distribution of earnings	-	-	-	1,330,074	2,449,739	(13,300,991)	-	-	-	(9,521,178)	-	(9,521,178)
Cash dividends from capital surplus	-	-	(2,577,603)	-	-	-	-	-	-	(2,577,603)	-	(2,577,603)
Profit for the year ended December 31, 2021	-	-	-	-	-	10,988,165	-	-	-	10,988,165	1,837,044	12,825,209
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	28,385	(12,615)	658,766	-	674,536	(7,314)	667,222
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	11,016,550	(12,615)	658,766	-	11,662,701	1,829,730	13,492,431
Conversion of convertible bonds to common stock	10,986	57,135	557,944	-	-	-	-	-	-	626,065	-	626,065
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(2,209)	-	2,209	-	-	-	-
Changes in equity of associates accounted for using equity method	-	-	6,399	-	-	(8,505)	-	849	-	(1,257)	734	(523)
Disposal of investments accounted for using equity method	-	-	(21,913)	-	-	22,885	-	(22,885)	-	(21,913)	(20,968)	(42,881)
Other changes in capital surplus	-	-	1,838	-	-	-	-	-	-	1,838	-	1,838
Cash dividends for non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	(770,513)	(770,513)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	79,150	79,150
BALANCE, DECEMBER 31, 2021	\$ 35,135,201	\$ 57,135	\$ 16,903,239	\$ 31,500,472	\$ 2,449,739	\$ 11,028,726	\$ (44,294)	\$ (1,779,121)	\$(29,717,344)	\$ 65,533,753	\$ 7,743,245	\$ 73,276,998

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, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 15,581,575	\$ 15,457,791
Adjustments for:		
Depreciation expense	12,286,609	11,106,070
Amortization expense	4,780,516	4,167,114
Amortization of incremental costs of obtaining a contract	1,409,231	1,718,101
(Gain) loss on disposal and retirement of property, plant and equipment, net	(8,690)	257,006
Loss on disposal and retirement of intangible assets, net	-	64,703
Expected credit loss	224,659	190,763
Other income and expenses	(222,947)	-
Finance costs	627,813	618,588
Interest income	(56,370)	(66,122)
Dividend income	(18,864)	(102,762)
Gain on disposal of investments accounted for using equity method	(97,791)	(73,859)
Share of (profit) loss of associates accounted for using equity method	19,681	(99,891)
Valuation loss on financial assets at fair value through profit or loss	2,869	149
Impairment loss on intangible assets	-	13,332
Others	(2,432)	(16,318)
Changes in operating assets and liabilities		
Contract assets	(1,509,745)	(71,727)
Notes and accounts receivable	(443,784)	(111,732)
Notes and accounts receivable due from related parties	(175,576)	(32,645)
Other receivables	(800,453)	77,777
Inventories	(673,852)	(95,788)
Prepayments	13,332	(178,030)
Other current assets	(22,608)	41,760
Other financial assets	8,409	(15,621)
Incremental costs of obtaining a contract	(1,465,734)	(1,370,933)
Contract liabilities	(11,208)	87,033
Notes and accounts payable	1,992,485	1,965,679
Notes and accounts payable due to related parties	178,004	25,394
Other payables	871,255	20,476
Provisions	(104,264)	(81,084)
Other current liabilities	97,101	590,825
Net defined benefit liabilities	(34,923)	(30,355)
Cash inflows generated from operating activities	32,444,298	34,055,694
Interest received	13,132	16,651
Interest paid	(910)	(1,299)
Income taxes paid	(2,260,978)	(2,328,524)
Net cash generated from operating activities	<u>30,195,542</u>	<u>31,742,522</u>

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	\$ (10,433,984)	\$ (11,037,092)
Acquisition of right-of-use assets	(30,965)	(26,264)
Acquisition of intangible assets	(294,725)	(29,904,358)
Increase in prepayments for equipment	(441,397)	(266,182)
Proceeds from disposal of property, plant and equipment	175,694	93,237
Proceeds from disposal of intangible assets	12,800	16,000
Increase in advance receipts from asset disposals	283	331
Acquisition of financial assets at fair value through profit or loss	(276,636)	-
Acquisition of financial assets at fair value through other comprehensive income	(588,407)	(798,131)
Disposal of financial assets at fair value through other comprehensive income	-	2,964,345
Acquisition of investments accounted for using equity method	(424,767)	(572,714)
Disposal of investments accounted for using equity method	474,377	219,742
Proceeds from capital return of investments accounted for using equity method	-	33,298
Other investing activities	2,152,807	-
Increase in refundable deposits	(322,609)	(318,178)
Decrease in refundable deposits	263,500	260,325
Increase in other financial assets	(69,286)	(269,366)
Decrease in other financial assets	69,587	116,785
Interest received	38,525	44,757
Dividends received	56,706	122,926
	<u>(9,638,497)</u>	<u>(39,320,539)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	10,710,000	(6,470,000)
Increase (decrease) in short-term notes and bills payable	(9,591,635)	12,289,537
Proceeds from issue of bonds	2,496,465	19,979,415
Repayments of bonds	(10,700)	-
Proceeds from long-term borrowings	-	6,496,758
Repayment of long-term borrowings	(2,261,757)	(4,304,000)
Repayment of the principal portion of lease liabilities	(3,994,354)	(3,881,512)
Increase in guarantee deposits received	227,563	192,808
Decrease in guarantee deposits received	(126,475)	(119,240)
Cash dividends paid (including paid to non-controlling interests)	(12,869,217)	(14,005,485)
Interest paid	(591,054)	(487,496)
Increase in non-controlling interests	79,150	-
	<u>(15,932,014)</u>	<u>9,690,785</u>
		(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ <u>(797)</u>	\$ <u>1,653</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,624,234	2,114,421
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>10,777,791</u>	<u>8,663,370</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 15,402,025</u>	<u>\$ 10,777,791</u>

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

(Concluded)

The 2021 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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 2021 financial statements are as follows:

Telecommunications and Value-added Services Revenue

The description of key audit matter:

The primary operating revenue sources of TWM is the telecommunications and value-added services revenue. TWM offers more different monthly-fee plans and diversifies the business by innovating value-added services since the telecommunication industry becomes more competitive nowadays. The competitive telecommunication industry and complicated calculations for revenue recognition, which highly relies on automatic and systematic connection and implementation, lead the telecommunications and value-added services revenue to be considered as one of the key audit matters.

Corresponding audit procedures:

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

1. Review the contracts of mobile subscribers to ensure the accuracy of information in the accounting system.
2. Perform dialing tests to verify the completeness of the information in the telephone exchange system.
3. Perform system integration tests from telephone-exchange to telephone traffic.
4. Test for the accuracy of call record charge rates and billing calculations.
5. Verify the accuracy of the billing amounts generated from monthly rentals as well as airtime accounting systems and the transfer to the accounting information system.
6. Select the samples from telecommunications and value-added services revenue and agree to the contracts, bills and records of cash receipts.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Pei-De Chen and Te-Chen Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 22, 2022

Notice to Readers

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

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

TAIWAN MOBILE CO., LTD.

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2021		December 31, 2020		LIABILITIES AND EQUITY	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 6 and 28)	\$ 1,626,196	1	\$ 1,542,179	1	Short-term borrowings (Notes 16 and 28)	\$ 30,331,000	18	\$ 22,270,000	13
Financial assets at fair value through other comprehensive income (Note 7)	253,214	-	236,913	-	Short-term notes and bills payable (Note 16)	4,597,793	3	14,195,385	8
Contract assets (Note 21)	4,661,996	3	4,612,234	3	Contract liabilities (Note 21)	1,066,995	1	1,133,438	1
Notes and accounts receivable, net (Note 8)	5,631,531	3	5,835,196	4	Accounts payable	1,894,432	1	1,822,172	1
Accounts receivable due from related parties (Note 28)	470,309	-	487,370	-	Accounts payable due to related parties (Note 28)	294,026	-	214,771	-
Other receivables (Note 28)	1,184,943	1	559,069	-	Other payables (Note 28)	8,060,985	5	8,684,707	5
Inventories (Note 9)	2,704,625	2	2,368,016	1	Current tax liabilities	931,555	-	1,296,140	1
Prepayments	239,071	-	361,650	-	Provisions (Note 18)	35,997	-	37,521	-
Other financial assets (Notes 28 and 29)	28,105	-	36,514	-	Lease liabilities (Notes 12, 25 and 28)	2,937,829	2	3,005,715	2
Other current assets	109	-	34	-	Long-term liabilities, current portion (Notes 16 and 17)	-	-	2,632,030	2
					Other current liabilities (Note 28)	2,133,401	1	2,145,065	1
Total current assets	<u>16,800,099</u>	<u>10</u>	<u>16,039,175</u>	<u>9</u>	Total current liabilities	<u>52,284,013</u>	<u>31</u>	<u>57,436,944</u>	<u>34</u>
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Financial assets at fair value through other comprehensive income (Note 7)	1,924,203	1	1,717,859	1	Contract liabilities (Note 21)	60,699	-	58,347	-
Contract assets (Note 21)	5,196,115	3	3,749,737	2	Bonds payable (Note 17)	37,475,497	22	34,973,223	21
Investments accounted for using equity method (Notes 10 and 28)	45,950,409	27	45,524,371	27	Long-term borrowings (Note 16)	6,497,809	4	6,497,420	4
Property, plant and equipment (Note 11)	25,967,927	15	25,327,616	15	Provisions (Note 18)	517,815	-	638,210	-
Right-of-use assets (Notes 12 and 28)	7,327,028	5	7,516,872	5	Deferred tax liabilities (Note 23)	703,734	-	678,679	-
Investment properties (Note 13)	2,789,846	2	2,828,136	2	Lease liabilities (Notes 12, 25 and 28)	4,406,338	3	4,526,498	3
Concessions (Note 14)	53,880,810	32	58,012,111	34	Net defined benefit liabilities (Note 19)	296,667	-	322,707	-
Goodwill (Note 14)	7,121,871	4	7,121,871	4	Guarantee deposits	402,551	-	373,715	-
Other intangible assets (Note 14)	232,048	-	213,029	-	Other non-current liabilities	1,803,684	1	-	-
Deferred tax assets (Note 23)	435,187	-	637,945	-	Total non-current liabilities	<u>52,164,794</u>	<u>30</u>	<u>48,068,799</u>	<u>28</u>
Incremental costs of obtaining a contract (Note 21)	1,710,107	1	1,671,623	1	Total liabilities	<u>104,448,807</u>	<u>61</u>	<u>105,505,743</u>	<u>62</u>
Other non-current assets (Notes 15, 28 and 29)	646,910	-	510,498	-	EQUITY (Note 20)				
Total non-current assets	<u>153,182,461</u>	<u>90</u>	<u>154,831,668</u>	<u>91</u>	Common stock	35,135,201	21	35,124,215	20
					Capital collected in advance	57,135	-	-	-
					Capital surplus	16,903,239	10	18,936,574	11
					Retained earnings				
					Legal reserve	31,500,472	19	30,170,398	18
					Special reserve	2,449,739	1	-	-
					Unappropriated earnings	11,028,726	6	13,300,996	8
					Other equity interests	(1,823,415)	(1)	(2,449,739)	(2)
					Treasury stock	(29,717,344)	(17)	(29,717,344)	(17)
					Total equity	<u>65,533,753</u>	<u>39</u>	<u>65,365,100</u>	<u>38</u>
TOTAL	<u>\$ 169,982,560</u>	<u>100</u>	<u>\$ 170,870,843</u>	<u>100</u>	TOTAL	<u>\$ 169,982,560</u>	<u>100</u>	<u>\$ 170,870,843</u>	<u>100</u>

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 21 and 28)	\$ 59,844,804	100	\$ 56,890,204	100
OPERATING COSTS (Notes 9, 28 and 32)	<u>44,797,460</u>	<u>75</u>	<u>39,229,257</u>	<u>69</u>
GROSS PROFIT FROM OPERATIONS	15,047,344	25	17,660,947	31
REALIZED GAIN ON SALES	<u>-</u>	<u>-</u>	<u>509</u>	<u>-</u>
GROSS PROFIT FROM OPERATIONS, NET	<u>15,047,344</u>	<u>25</u>	<u>17,661,456</u>	<u>31</u>
OPERATING EXPENSES (Notes 28 and 32)				
Marketing	6,666,554	11	7,151,971	13
Administrative	2,889,750	5	2,927,309	5
Research and development	31,904	-	34,832	-
Expected credit loss	<u>224,288</u>	<u>-</u>	<u>172,590</u>	<u>-</u>
Total operating expenses	<u>9,812,496</u>	<u>16</u>	<u>10,286,702</u>	<u>18</u>
OTHER INCOME AND EXPENSES, NET (Note 28)	<u>585,942</u>	<u>1</u>	<u>223,644</u>	<u>-</u>
OPERATING INCOME	<u>5,820,790</u>	<u>10</u>	<u>7,598,398</u>	<u>13</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	5,929	-	8,186	-
Other income	12,900	-	13,151	-
Other gains and losses, net (Note 22)	(15,325)	-	(330,450)	(1)
Finance costs (Notes 22 and 28)	(646,976)	(1)	(618,164)	(1)
Share of profit of subsidiaries and associates accounted for using equity method (Note 10)	<u>6,493,099</u>	<u>11</u>	<u>5,970,883</u>	<u>11</u>
Total non-operating income and expenses	<u>5,849,627</u>	<u>10</u>	<u>5,043,606</u>	<u>9</u>
PROFIT BEFORE TAX	11,670,417	20	12,642,004	22
INCOME TAX EXPENSE (Note 23)	<u>682,252</u>	<u>2</u>	<u>1,355,451</u>	<u>2</u>
NET PROFIT	<u>10,988,165</u>	<u>18</u>	<u>11,286,553</u>	<u>20</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	7,213	-	(25,077)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	135,246	-	(350,224)	(1)
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	544,692	1	(499,974)	(1)
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	<u>(12,615)</u>	<u>-</u>	<u>2,826</u>	<u>-</u>
Other comprehensive income (loss) (after tax)	<u>674,536</u>	<u>1</u>	<u>(872,449)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 11,662,701</u>	<u>19</u>	<u>\$ 10,414,104</u>	<u>18</u>
EARNINGS PER SHARE (Note 24)				
Basic earnings per share	<u>\$ 3.90</u>		<u>\$ 4.01</u>	
Diluted earnings per share	<u>\$ 3.89</u>		<u>\$ 3.99</u>	

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	Common Stock	Capital Collected in Advance	Capital Surplus	Retained Earnings			Other Equity Interests		Treasury Stock	Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE, JANUARY 1, 2020	\$ 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
Distribution of 2019 earnings	-	-	-	1,248,117	-	(1,248,117)	-	-	-	-
Legal reserve	-	-	-	-	(95,381)	95,381	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(11,756,844)	-	-	-	(11,756,844)
Cash dividends	-	-	-	-	-	-	-	-	-	-
Total distribution of earnings	-	-	-	1,248,117	(95,381)	(12,909,580)	-	-	-	(11,756,844)
Cash dividends from capital surplus	-	-	(1,593,624)	-	-	-	-	-	-	(1,593,624)
Profit for the year ended December 31, 2020	-	-	-	-	-	11,286,553	-	-	-	11,286,553
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(38,068)	2,826	(837,207)	-	(872,449)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	11,248,485	2,826	(837,207)	-	10,414,104
Conversion of convertible bonds to common stock	164,774	(134,104)	259,109	-	-	-	-	-	-	289,779
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	2,052,067	-	(2,052,067)	-	-
Changes in equity of associates accounted for using equity method	-	-	(1,721)	-	-	(2,001)	-	-	-	(3,722)
Disposal of investments accounted for using equity method	-	-	(2,738)	-	-	2,196	-	(2,196)	-	(2,738)
Other changes in capital surplus	-	-	854	-	-	-	-	-	-	854
BALANCE, DECEMBER 31, 2020	35,124,215	-	18,936,574	30,170,398	-	13,300,996	(31,679)	(2,418,060)	(29,717,344)	65,365,100
Distribution of 2020 earnings	-	-	-	1,330,074	-	(1,330,074)	-	-	-	-
Legal reserve	-	-	-	-	2,449,739	(2,449,739)	-	-	-	-
Special reserve	-	-	-	-	-	(9,521,178)	-	-	-	(9,521,178)
Cash dividends	-	-	-	-	-	-	-	-	-	-
Total distribution of earnings	-	-	-	1,330,074	2,449,739	(13,300,991)	-	-	-	(9,521,178)
Cash dividends from capital surplus	-	-	(2,577,603)	-	-	-	-	-	-	(2,577,603)
Profit for the year ended December 31, 2021	-	-	-	-	-	10,988,165	-	-	-	10,988,165
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	28,385	(12,615)	658,766	-	674,536
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	11,016,550	(12,615)	658,766	-	11,662,701
Conversion of convertible bonds to common stock	10,986	57,135	557,944	-	-	-	-	-	-	626,065
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	(2,209)	-	2,209	-	-
Changes in equity of associates accounted for using equity method	-	-	6,399	-	-	(8,505)	-	849	-	(1,257)
Disposal of investments accounted for using equity method	-	-	(21,913)	-	-	22,885	-	(22,885)	-	(21,913)
Other changes in capital surplus	-	-	1,838	-	-	-	-	-	-	1,838
BALANCE, DECEMBER 31, 2021	\$ 35,135,201	\$ 57,135	\$ 16,903,239	\$ 31,500,472	\$ 2,449,739	\$ 11,028,726	\$ (44,294)	\$ (1,779,121)	\$(29,717,344)	\$ 65,533,753

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 11,670,417	\$ 12,642,004
Adjustments for:		
Share of profit of subsidiaries and associates accounted for using equity method	(6,493,099)	(5,970,883)
Depreciation expense	9,243,700	8,275,054
Amortization expense	4,355,353	3,723,081
Amortization of incremental costs of obtaining a contract	1,302,825	1,633,231
Realized gain on sales	-	(509)
Loss on disposal and retirement of property, plant and equipment, net	24,041	291,044
Gain on disposal of investments accounted for using equity method	(29)	-
Loss on disposal and retirement of intangible assets, net	-	57,863
Expected credit loss	224,288	172,590
Other income and expenses	(217,817)	-
Finance costs	646,976	618,164
Interest income	(5,929)	(8,186)
Dividend income	(9,359)	(9,185)
Others	(2,283)	(1,839)
Changes in operating assets and liabilities		
Contract assets	(1,508,966)	(74,343)
Notes and accounts receivable	(588,351)	107,744
Accounts receivable due from related parties	17,061	(201,607)
Other receivables	(11,196)	77,607
Inventories	(336,609)	889,264
Prepayments	23,333	(216,309)
Other current assets	(75)	55,324
Other financial assets	8,409	(15,621)
Incremental costs of obtaining a contract	(1,341,309)	(1,265,516)
Contract liabilities	(64,091)	94,642
Accounts payable	72,260	259,254
Accounts payable due to related parties	79,255	42,768
Other payables	431,357	(190,097)
Provisions	(134,544)	(112,607)
Other current liabilities	(9,593)	456,539
Net defined benefit liabilities	(17,023)	(16,246)
Cash inflows generated from operating activities	17,359,002	21,313,225
Interest received	1,160	275
Interest paid	(275)	(442)
Income taxes paid	(908,227)	(654,133)
Net cash generated from operating activities	<u>16,451,660</u>	<u>20,658,925</u>

(Continued)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	\$ (7,757,835)	\$ (8,375,407)
Acquisition of right-of-use assets	(30,197)	(22,596)
Acquisition of intangible assets	(153,295)	(29,772,382)
Increase in prepayments for equipment	(122,603)	(94,676)
Proceeds from disposal of property, plant and equipment	127,380	36,918
Proceeds from disposal of intangible assets	12,800	16,000
Acquisition of financial assets at fair value through other comprehensive income	-	(400,000)
Cash outflow on acquisition of subsidiaries	(570,000)	(1,600,000)
Disposal of investments accounted for using equity method	7,830	-
Other investing activities	2,140,688	-
Increase in refundable deposits	(152,556)	(173,738)
Decrease in refundable deposits	132,812	158,244
Interest received	1,657	4,495
Dividends received	<u>7,146,859</u>	<u>5,115,408</u>
Net cash generated from (used in) investing activities	<u>783,540</u>	<u>(35,107,734)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	9,000,000	(4,800,000)
Borrowings from related parties	15,496,000	15,414,000
Repayments of borrowings from related parties	(16,435,000)	(13,479,000)
Increase (decrease) in short-term notes and bills payable	(9,591,635)	12,289,537
Proceeds from issue of bonds	2,496,465	19,979,415
Repayments of bonds	(10,700)	-
Proceeds from long-term borrowings	-	6,496,758
Repayment of long-term borrowings	(2,007,757)	(4,000,000)
Repayment of the principal portion of lease liabilities	(3,394,255)	(3,363,616)
Increase in guarantee deposits received	82,292	79,801
Decrease in guarantee deposits received	(52,050)	(41,982)
Cash dividends paid	(12,098,704)	(13,350,442)
Interest paid	<u>(635,839)</u>	<u>(506,223)</u>
Net cash generated from (used in) financing activities	<u>(17,151,183)</u>	<u>14,718,248</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	84,017	269,439
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>1,542,179</u>	<u>1,272,740</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>\$ 1,626,196</u>	<u>\$ 1,542,179</u>

Taiwan Mobile Co., Ltd.
2021 Earnings Distribution Proposal

Unit: NT\$

Item	Amount
Unappropriated retained earnings as of December 31, 2020	4,399
Actuarial gains of 2021	28,384,904
Adjustments due to investments accounted for using equity method	14,380,546
Disposal of financial instruments at fair value through profit or loss	(2,209,062)
Unappropriated retained earnings - Adjusted	40,560,787
Net income of 2021	10,988,164,899
Legal reserve appropriation (10%)	(1,102,872,129)
Reversal of special reserve	626,323,929
Retained earnings available for distribution	10,552,177,486
Appropriation:	
Cash dividends ¹	(10,551,987,266)
Balance of unappropriated retained earnings	190,220

Note 1: Refer to the second proposed resolution regarding the distribution of the 2021 retained earnings.



Taiwan Mobile Co., Ltd.

Articles of Incorporation

Before and After Amendments for Comparison

Article	Amended	Original	Explanation
15-1	<p><u>The Shareholders' Meeting can be held via video conference or other audiovisual means, as announced by the Ministry of Economic Affairs.</u></p>		In response to the announcement of amendments to Article 172-2 of the Company Act on December 29, 2021, allowing publicly traded companies to hold Shareholders' Meetings through video conference or other audio-visual means
34	<p>These Articles of Incorporation were agreed to and signed on 30 January 1997. ...</p> <p>The twenty- ninth amendment was made on 18 June 2020</p> <p>The thirtieth amendment was made on 20 August 2021</p> <p><u>The thirty-first amendment was made on 23 June 2022</u></p>	<p>These Articles of Incorporation were agreed to and signed on 30 January 1997. ...</p> <p>The twenty- ninth amendment was made on 18 June 2020</p> <p>The thirtieth amendment was made on 20 August 2021</p>	

Articles of Incorporation

Chapter I General Provisions

Article 1 The Company shall be incorporated as a company limited by shares, under the Company Act of the Republic of China. The name of the Company shall be 台灣大哥大股份有限公司.

Article 2 The scope of business of the Company shall be:

1. G903010 Telecommunications Enterprises;
2. I301040 Third-Party Payment;
3. I301020 Data Processing Services;
4. J303010 Magazine and Periodical Publication;
5. J304010 Book Publishers;
6. J305010 Audio Tape and Record Publishers;
7. J399010 Software Publication;
8. J399990 Other Publishers Not Elsewhere Classified;
9. F108031 Wholesale of Drugs, Medical Goods;
10. F208031 Retail Sale of Medical Equipment;
11. E601010 Electric Appliance Construction;
12. E701010 Telecommunications Construction;
13. CC01080 Electronic Parts and Components Manufacturing;
14. E601020 Electric Appliance Installation;
15. E603090 Illumination Equipment Construction;
16. IG03010 Energy Technical Services;
17. H703100 Real Estate Rental and Leasing
18. JE01010 Rental and Leasing Business;
19. J401010 Motion Picture Production;
20. J402010 Motion Picture Distribution;
21. J503020 Television Production
22. J503030 Broadcasting and Television Program Distribution
23. EZ05010 Apparatus Installation Construction
24. 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 15-1** **The Shareholders' Meeting can be held via video conference or other audiovisual means, as announced by the Ministry of Economic Affairs.**
- 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.

The thirtieth amendment was made on 20 August 2021.

The thirty-first amendment was made on 23 June 2022.

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

Article	Amended	Original	Explanation
2	<p>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. <u>For the virtual Shareholders' Meeting, shareholders may register on the TDCC Stockvote. Shareholders who choose to attend virtually shall be deemed to have attended the Meeting in person.</u></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><u>The virtual Meeting is not subject to the venue restrictions in the preceding paragraph.</u></p> <p>The Company may appoint designated counsel, Certified Public Accountant or other relevant persons to attend the Meeting.</p>	<p>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.</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</p>	<p>(1) Specify the time and procedures for the registration of shareholders attending the video conference</p> <p>(2) Clarify that there is no restriction on the location of the video conference</p> <p>(3) Add relevant matters regarding video conference record preservation</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 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><u>If the Meeting is held virtually, the Company shall record and videotape the whole meeting, store the records properly, and provide audio and video recordings for video conference preservation.</u></p>	<p>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.</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>	
3	<p>The presence of shareholders in the Meeting and their voting thereof shall be calculated in accordance with the number of shares.</p> <p>The number of shares representing shareholders present at the Meeting shall be calculated based on the submitted attendance cards <u>and the</u></p>	<p>The presence of shareholders in the Meeting and their voting thereof shall be calculated in accordance with the number of shares.</p> <p>The number of shares representing shareholders present at the Meeting shall be calculated based on the submitted attendance cards plus the</p>	<p>Clarify that the number of shares registered on the video conferencing platform should be added to the total number of shares</p>

	<u>number of shareholders registered on the video conferencing platform</u> , plus the number of shares whose voting powers are exercised in writing or by way of electronic transmission.	number of shares whose voting powers are exercised in writing or by way of electronic transmission.	
10-1	<u>If the Meeting is held via video conference, the shareholders participating virtually may ask questions through text on the video conferencing platform after the Chairman calls the Meeting to order and before adjournment is announced. The number of questions asked for each proposal shall not exceed two and the length is limited to 200 characters. Also, Articles 7 to 10 shall not apply.</u>		Add the methods, procedures and restrictions for shareholders who are participating virtually and wish to ask questions
12	<p>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.</p> <p>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.</p> <p>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.</p> <p>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</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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</p>	Add the voting time for shareholders who are participating virtually

	<p>voting power shall not be counted.</p> <p><u>When the Company holds a video conference, shareholders who participated virtually can vote on the resolutions and proposals through the video conferencing platform after the Chairman calls the Meeting to order. The voting should be completed before the Chairman announces the close of voting. Otherwise, it is deemed as a waiver.</u></p>	<p>voting power shall not be counted.</p>	
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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. **For the virtual Shareholders' Meeting, shareholders may register on the TDCC Stockvote. Shareholders who choose to attend virtually shall be deemed to have attended the Meeting in person.**

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 virtual Meeting is not subject to the venue restrictions in the preceding paragraph.

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. **If the Meeting is held virtually, the Company shall record and videotape the whole meeting, store the records properly, and provide audio and video recordings for video conference preservation.**

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 electronic 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 **and the number of shareholders registered on the video conferencing platform**, 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 postponements 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 10-1: **If the Meeting is held via video conference, the shareholders participating virtually may ask questions through text on the video conferencing platform after the Chairman calls the Meeting to order and before adjournment is announced. The number of questions asked for each proposal shall not exceed two and the length is limited to 200 characters. Also, Articles 7 to 10 shall not apply.**

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.

When the Company holds a video conference, shareholders who participated virtually can vote on the resolutions and proposals through the video conferencing platform after the Chairman calls the Meeting to order. The voting should be completed before the Chairman announces the close of voting. Otherwise, it is deemed as a waiver.

- 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 and Procedures for Acquisition or Disposal of Assets
(the “Procedures”)
Before and After Amendments for Comparison

Article	Amended	Original	Explanation
5	<p>Article 5</p> <p>Professional appraisers and their officers, certified public accountants, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p>1.~3. (omitted)</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with <u>the self-regulatory rules of the professional associations to which they belong and with</u> the following:</p> <ol style="list-style-type: none"> 1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence. 2. When <u>evaluating</u> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working 	<p>Article 5</p> <p>Professional appraisers and their officers, certified public accountants, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:</p> <p>1.~3. (omitted)</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <ol style="list-style-type: none"> 1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence. 2. When <u>examining</u> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and 	<p>Stipulate the procedures and responsibilities that external counsels/advisors should follow when issuing opinions</p>

	<p>procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>3. They shall undertake an item-by-item evaluation of the fairness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and fair, and that they have complied with applicable laws and regulations.</p>	<p>accurately specified in the case working papers.</p> <p>3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</p>	
7	<p>Article 7</p> <p>The following items shall be specified in the Procedures:</p> <p>1. (omitted)</p> <p>2. Appraisal procedures:</p> <p>(1) Acquisition or disposal of securities:</p> <p>(i) Appraisal: the units responsible for execution shall evaluate the reasonableness of the transaction with consideration of the book value per share, profitability, future development potential and market price.</p> <p>(ii) (omitted)</p> <p>(2)~(6) (omitted)</p>	<p>Article 7</p> <p>The following items shall be specified in the Procedures:</p> <p>1. (omitted)</p> <p>2. Appraisal procedures:</p> <p>(1) Acquisition or disposal of securities:</p> <p>(i) Appraisal: the financial and accounting departments shall evaluate the reasonableness of the transaction with consideration of the book value per share, profitability, future development potential and market price.</p> <p>(ii) (omitted)</p> <p>(2)~(6) (omitted)</p>	<p>Raise the investment limit on the amount of securities that can be purchased by its subsidiaries</p>

<p>3. Operating procedures:</p> <p>(1) (omitted)</p> <p>(2) Implementation department:</p> <p>(i) Investment of securities in long-term and short-term: responsible departments.</p> <p>(ii) ~ (iv) (omitted)</p> <p>4. (omitted)</p> <p>5. Total investment amounts</p> <p>(1) Except for investment management companies, the total amounts of real estate and equipment or right-of-use assets thereof acquired by the Company and each subsidiary for non-business use shall not exceed 30% of the total assets of the Company or each subsidiary at the time of purchase.</p> <p>(2) The total amounts of securities investment purchased by the Company shall not exceed 100% of the total assets of the Company at the time of purchase. <u>The total amount of individual securities purchased by the Company shall not exceed the amount of its book value at the time of purchase.</u></p> <p>(3) <u>The total amount of securities purchased by each subsidiary</u></p> <p>(i) <u>Except for investment management companies, the total amount of securities purchased by Company's subsidiary that is a domestic listed company shall not exceed 500% of the total assets of such Company's subsidiary at the time of purchase. The total amount of individual securities purchased by Company's subsidiary shall not exceed 300% of its book</u></p>	<p>3. Operating procedures:</p> <p>(1) (omitted)</p> <p>(2) Implementation department:</p> <p>(i) Investment of securities in long-term and short-term: financial and accounting departments.</p> <p>(ii) ~ (iv) (omitted)</p> <p>4. (omitted)</p> <p>5. Total investment amounts of the Company and each subsidiary</p> <p>(1) Except for investment management companies, the total amounts of real estate and equipment or right-of-use assets thereof acquired by the Company or each subsidiary for non-business use shall not exceed 30% of the total assets of the Company or each subsidiary at the time of purchase.</p> <p>(2) Except for investment management companies, the total amounts of securities investment purchased by the Company or each subsidiary shall not exceed 100% of the total assets of the Company or each subsidiary at the time of purchase.</p> <p>(3) Except for investment management companies, the total amounts of individual securities purchased by the Company or each subsidiary shall not exceed its book value at the time of purchase.</p> <p>(omitted)</p>	
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	<p><u>value at the time of purchase.</u></p> <p>(ii) <u>Except for investment management companies, the total amount of securities purchased by Company's subsidiary that is not a domestic listed company but 100% directly or indirectly controlled by the Company shall not exceed 200% of the total assets of such Company's subsidiary at the time of purchase. The total amount of individual securities purchased by Company's subsidiary shall not exceed its book value at the time of purchase.</u></p> <p>(iii) <u>Except for investment management companies, the total amount of securities purchased by Company's subsidiary that is not a domestic listed company and not 100% directly or indirectly controlled by the Company shall not exceed the total assets of such Company's subsidiary at the time of purchase. The total amount of individual securities purchased by Company's subsidiary shall not exceed its book value at the time of purchase.</u></p> <p>(omitted)</p>		
9	<p>Article 9</p> <p>In acquiring or disposing of real estate, equipment or right-of-use assets thereof where the transaction amount reaches 20%</p>	<p>Article 9</p> <p>In acquiring or disposing of real estate, equipment or right-of-use assets thereof where the transaction amount reaches 20%</p>	<p>To comply with the amendment to Article 5, relevant words that CPA should</p>

	<p>of the Company's paid-in capital or NT\$300,000,000 or more, the Company, unless transacting with a local government agency/authority, engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, shall obtain an appraisal report prior to the date of the occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>1~2 (omitted)</p> <p>1. Any one of the following circumstances applies with respect to the professional appraisers' appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal and render a specific opinion regarding the reasons for the discrepancy and the appropriateness of the transaction price:</p> <p>(omitted)</p>	<p>of the Company's paid-in capital or NT\$300,000,000 or more, the Company, unless transacting with a local government agency/authority, engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, shall obtain an appraisal report prior to the date of the occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>1~2 (omitted)</p> <p>3. Any one of the following circumstances applies with respect to the professional appraisers' appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal <u>in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the foundation constituted as a juristic person in Taiwan -- Accounting Research and Development Foundation (ARDF)</u> and render a specific opinion regarding the reasons for the discrepancy and the appropriateness of the transaction price:</p> <p>(omitted)</p>	<p>follow the Statement of Auditing Standards</p>
10	<p>Article 10</p> <p>The Company, acquiring or disposing of securities, shall, prior to the date of the occurrence of the event, obtain financial</p>	<p>Article 10</p> <p>The Company, acquiring or disposing of securities, shall, prior to the date of the occurrence of the event, obtain financial</p>	<p>To comply with the amendment to Article 5, remove the section that states</p>

	statements of the target companies for the most recent period, certified or reviewed by a certified public accountant, for reference in evaluating the transaction price, and if the amount of the transaction is 20% of the Company's paid-in capital or NT\$300,000,000 or more, the Company shall additionally engage a certified public accountant (CPA) prior to the date of the occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly traded securities that have an active market, or where otherwise provided by regulations of the competent securities authority.	statements of the target companies for the most recent period, certified or reviewed by a certified public accountant, for reference in evaluating the transaction price, and if the amount of the transaction is 20% of the Company's paid-in capital or NT\$300,000,000 or more, the Company shall additionally engage a certified public accountant (CPA) prior to the date of the occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <u>If the CPA needs to use the report of a financial advisor as a reference, the CPA shall do so in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF.</u> This requirement does not apply, however, to publicly traded securities that have an active market, or where otherwise provided by regulations of the competent securities authority.	the CPA should follow the Statement of Auditing Standards
11	Article 11 Where the Company acquires or disposes of intangible assets, right-of-use assets thereof or membership and the transaction amount reaches 20% or more of the paid-in capital or NT\$300,000,000 or more, except in transactions with a local government agency/authority, the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.	Article 11 Where the Company acquires or disposes of intangible assets, right-of-use assets thereof or membership and the transaction amount reaches 20% or more of the paid-in capital or NT\$300,000,000 or more, except in transactions with a local government agency/authority, the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; <u>the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u>	To comply with the amendment to Article 5, remove the section that states the CPA should follow the Statement of Auditing Standards
15	Article 15 When the Company intends to acquire or	Article 15 When the Company intends to acquire or	Specify the requirements for related party

<p>dispose of real estate or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real estate or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of the paid-in capital, 10% or more of the Company's total assets, or NT\$300,000,000 or more, except in the trading of local government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds which are issued by domestic securities investment trust companies, subject to mutatis mutandis application of paragraphs 2, 3 and 4 of Article 6, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all Audit Committee members, and then submitted to the board of directors for a resolution:</p> <p>1~7 (Omitted)</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the Company's board of directors may, pursuant to subparagraph 3, paragraph 1 of Article 7, delegate the chairman to decide such matters when the transaction is less than NT\$1,000,000,000 (one billion) and have the decisions subsequently ratified at the next board of directors meeting:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of equipment or right-of-use assets thereof held for 	<p>dispose of real estate or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real estate or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of the paid-in capital, 10% or more of the Company's total assets, or NT\$300,000,000 or more, except in the trading of local government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds which are issued by domestic securities investment trust companies, subject to mutatis mutandis application of paragraphs 2, 3 and 4 of Article 6, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all Audit Committee members, and then submitted to the board of directors for a resolution:</p> <p>1~7 (Omitted)</p> <p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with paragraph 2 of Article 31 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the transaction. The amounts approved by the board of directors and ratified by the Audit Committee can be excluded from the calculation.</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the</p>	<p>transactions to be approved by the Shareholders' Meeting</p>
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	<p>business use.</p> <p>2. Acquisition or disposal of real estate right-of-use assets held for business use.</p> <p><u>If the Company or its subsidiary that is not a domestic public company will have a transaction set out in paragraph 1 of Article 7 and the transaction amount will reach 10% or more of the Company's total assets, the Company shall submit the materials in all the subparagraphs of paragraph 1 of Article 7 to the shareholders' meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the Company and its subsidiary or between its subsidiaries.</u></p> <p>The calculation of the transaction amounts referred to <u>paragraph 1 of Article 7 and</u> in the preceding paragraph shall be made in accordance with paragraph 2 of Article 31 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the transaction. The amounts approved by the <u>Shareholders' Meeting</u> and the board of directors and ratified by the Audit Committee can be excluded from the calculation.</p>	<p>issued shares or authorized capital, the Company's board of directors may, pursuant to subparagraph 3, paragraph 1 of Article 7, delegate the chairman to decide such matters when the transaction is less than NT\$1,000,000,000 (one billion) and have the decisions subsequently ratified at the next board of directors meeting:</p> <ol style="list-style-type: none"> 1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use. 2. Acquisition or disposal of real estate right-of-use assets held for business use. 	
31	<p>Article 31</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in an appropriate format as prescribed by regulations within</p>	<p>Article 31</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in an appropriate format as prescribed by regulations within</p>	<p>Ease the restrictions on announcing the purchase and sale of foreign government bonds and other securities under certain</p>

	<p>2 days commencing immediately from the date of occurrence of the event:</p> <p>1~5 (omitted)</p> <p>6. Any asset transactions other than those referred to in the preceding five subparagraphs, or an investment in the mainland China area with an amount reaching 20% or more of the paid-in capital or NT\$300,000,000 or more, excluding the following circumstances:</p> <p>(1) Trading of local government bonds <u>or foreign government bonds with a credit rating no lower than the sovereign rating of Taiwan.</u></p> <p>(2) <u>Securities</u> trading by investment professionals on securities exchanges or over-the-counter markets, or subscription of <u>foreign government bonds,</u> straight bonds or of non-equity related general bank debentures (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, <u>or subscription or redemption of exchange-traded notes.</u></p> <p>(omitted)</p>	<p>2 days commencing immediately from the date of occurrence of the event:</p> <p>1~5 (omitted)</p> <p>6. Any asset transactions other than those referred to in the preceding five subparagraphs, or an investment in the mainland China area with an amount reaching 20% or more of the paid-in capital or NT\$300,000,000 or more, excluding the following circumstances:</p> <p>(1) Trading of local government bonds.</p> <p>(2) Securities trading by investment professionals on securities exchanges or over-the-counter markets, or subscription of straight bonds or of non-equity related general bank debentures (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds.</p> <p>(omitted)</p>	<p>conditions</p>
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Rules and Procedures for Acquisition or Disposal of Assets
(the “Procedures”)

Chapter I General Principles

Article 1 The Procedures are promulgated pursuant to Article 36-1 of the Securities and Exchange Act and “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

Article 2 The Company shall handle the acquisition or disposal of assets in compliance with the Procedures; provided, where another act or regulation provides otherwise, such provisions shall govern.

Article 3 The term "assets" as used in the Procedures includes the following:

1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficiary securities, and asset-backed securities.
2. Real estate (including land, houses and buildings, investment property) of Taiwan Mobile Co., Ltd. and equipment.
3. Membership.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Right-of-use assets
6. Derivatives.
7. Assets acquired or disposed of in connection with mergers, spin-offs, acquisitions, or transfer of shares in accordance with law.
8. Other major assets.

Article 4 Terms used in the Procedures are defined as follows:

1. Derivatives: Forward contracts, options contracts, futures contracts, leveraged contracts, and swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
2. Assets acquired or disposed of through mergers, spin-offs, acquisitions, or transfer of shares in accordance with the law: Refers to assets acquired or disposed of through mergers, spin-offs, or acquisitions conducted under the Business Mergers

and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3, paragraph 8 of the Company Act.

3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real estate appraiser or other person duly authorized by law to engage in the value appraisal of real estate or equipment.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other dates that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
7. Investment Professional: Refers to financial holding companies, banks, insurance companies, bills finance companies, trust companies, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust companies, securities investment consulting companies, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
8. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
9. Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

Article 5 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for

fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.

2. May not be a related party or de facto related party of any party to the transaction.
3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with **the self-regulatory rules of the professional associations to which they belong and with** the following:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When **evaluating** a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
3. They shall undertake an item-by-item evaluation of the **fairness** and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and **fair**, and that they have complied with applicable laws and regulations.

Chapter II Disposition Procedures

Section I Establishment of Disposition Procedures

Article 6 The Procedures for the acquisition and disposal of assets shall be adopted after approved by more than half of all Audit Committee members, and then submitted to the board of directors for a resolution. After the Procedures have been approved by the board of directors, they shall be submitted to a Shareholders' Meeting for approval; the same applies when the Procedures are amended. If any director expresses dissent which is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Audit Committee.

The Company has created the position(s) of independent director(s) in accordance with the provisions of the Securities and Exchange Act. When the procedures for the acquisition and disposal of assets are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. The minutes shall contain the dissenting opinions or reservations made by the independent directors, if any.

If the approval of more than half of all audit committee members as required in the first paragraph is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

The terms of "all Audit Committee members" in the first paragraph and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Article 7 The following items shall be specified in the Procedures:

1. The scope of assets: refer to Article 3 of the Procedures.
2. Appraisal procedures:
 - (1) Acquisition or disposal of securities:
 - (i) Appraisal: the units responsible for **execution** shall evaluate the reasonableness of the transaction with consideration of the book value per share, profitability, future development potential and market price.
 - (ii) Price decision methods:
 - A. The securities transacted on a centralized exchange market or OTC market, the prices shall be decided by the listed price or market price at the time of transaction.
 - B. The securities not transacted on a centralized exchange market or OTC market, the price decision shall refer to financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant.

- C. The bonds not transacted on a centralized exchange market or OTC market, the price decision shall refer to the market interest rate, coupon rate of the bond and bond issuer's credit.
- (2) Acquisition or disposal of real estate, equipment or right-of-use assets thereof:
 - (i) Appraisal: the application department shall issue a report to relevant departments to evaluate the necessity and reasonableness.
 - (ii) Price decision methods:
 - A. In the event that the Company acquires or disposes of the real estate or right-of-use assets thereof, the price decision shall refer to publicly announced current value, appraisal value, the actual transaction price of neighboring real estate or right-of-use assets thereof, or appraisal report issued by a professional appraiser.
 - B. The acquisition or disposal of equipment or right-of-use assets thereof shall be carried out by one of the following methods: price comparison, price negotiation, or bidding.
 - (3) Acquisition or disposal of membership and intangible assets or right-of-use assets thereof:
 - (i) Appraisal: the application department shall issue a report to relevant departments to review the necessity and reasonableness.
 - (ii) Price decision methods: the price decision shall refer to the market price at the time of transaction and the net present value for the potential return of the assets.
 - (4) Related party transactions: refer to Section 3 of the Procedures.
 - (5) Engaging in derivatives trading: refer to Section 4 of the Procedures.
 - (6) Mergers, spin-offs, acquisitions and transfer of shares: refer to Section 5 of the Procedures
3. Operating procedures:
- (1) The amount and levels of authority delegated: Any acquisition and disposal of assets by the Company shall be resolved by the board of directors except for the following circumstances:
 - (i) The Company may delegate the chairman to decide such matters when a single transaction is less than NT\$1,000,000,000 (one billion), subject to ratifications at the next board meeting. The above does not apply to any membership and long-term securities investment of NT\$ 300,000,000 or more.
 - (ii) The Company may delegate the chairman to decide such matters when the purpose of acquisition or disposal is for short-term fund allocation (including but not limited to the transaction of short-term securities, bonds under repurchase and resale agreements, bond fund, money market fund, principal guaranteed structured deposit).
 - (iii) The stipulation of amount and levels of authority delegated for the derivatives trading shall be effective after approved by the board of directors.

- (2) Implementation department:
 - (i) Investment of securities in long-term and short-term: **responsible** departments.
 - (ii) Real estate, equipment, membership and intangible assets or right-of-use assets thereof: the departments which use and manage these assets.
 - (iii) Derivatives: financial and accounting departments.
 - (iv) Assets acquired or disposed of through mergers, spin-offs, acquisitions, or transfer of shares in accordance with law: project team.
4. Public announcement and regulatory filing procedures: refer to Chapter III of the Procedures.
5. Total investment amounts
 - (1) Except for investment management companies, the total amounts of real estate and equipment or right-of-use assets thereof acquired by the Company **and** each subsidiary for non-business use shall not exceed 30% of the total assets of the Company or each subsidiary at the time of purchase.
 - (2) The total amounts of securities investment purchased by the Company shall not exceed 100% of the total assets of the Company at the time of purchase. **The total amount of individual securities purchased by the Company shall not exceed the amount of its book value at the time of purchase.**
 - (3) **The total amount of securities purchased by each subsidiary**
 - (i) **Except for investment management companies, the total amount of securities purchased by Company's subsidiary that is a domestic listed company shall not exceed 500% of the total assets of such Company's subsidiary at the time of purchase. The total amount of individual securities purchased by Company's subsidiary shall not exceed 300% of its book value at the time of purchase.**
 - (ii) **Except for investment management companies, the total amount of securities purchased by Company's subsidiary that is not a domestic listed company but 100% directly or indirectly controlled by the Company shall not exceed 200% of the total assets of such Company's subsidiary at the time of purchase. The total amount of individual securities purchased by Company's subsidiary shall not exceed its book value at the time of purchase.**
 - (iii) **Except for investment management companies, the total amount of securities purchased by Company's subsidiary that is not a domestic listed company and not 100% directly or indirectly controlled by the Company shall not exceed the total assets of such Company's subsidiary at the time of purchase. The total amount of individual securities purchased by Company's subsidiary shall not exceed its book value at the time of purchase.**

6. The Company shall supervise the acquisition or disposal implemented by the subsidiaries. The supervision and management shall comply with the Company's related regulations or each subsidiary's "Rules and Procedures for Acquisition or Disposal of Assets".
7. In the event that the related person who fails to comply with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" or the Procedures, the Company shall resolve the matter in accordance with internal operating regulations.

The subsidiaries of the Company shall adopt and implement procedures for the acquisition or disposal of assets in compliance with the Procedures.

Article 8 With respect to the Company's Rules and Procedures for Acquisition or Disposal of Assets that is subject to the approval of the board of directors or other laws or regulations, if a director expresses dissent which is contained in the minutes or in a written statement, the Company shall, subject to mutatis mutandis application of paragraph 2 of Article 6, submit the director's dissenting opinion to the Audit Committee.

Any transaction involving major assets or derivative trading shall be approved by more than half of all Audit Committee members and submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of paragraphs 3 and 4 of Article 6.

Section II Acquisition or Disposal of Assets

Article 9 In acquiring or disposing of real estate, equipment or right-of-use assets thereof where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300,000,000 or more, the Company, unless transacting with a local government agency/authority, engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, shall obtain an appraisal report prior to the date of the occurrence of the event from a professional appraiser and shall further comply with the following provisions:

1. In the event that due to special circumstances it is necessary to give a limit price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors, and the same procedures shall apply to any future changes in the terms and conditions of the transaction.
2. In the event that the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.
3. Any one of the following circumstances applies with respect to the professional appraisers' appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or the appraisal results for the

assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal and render a specific opinion regarding the reasons for the discrepancy and the appropriateness of the transaction price:

- (1) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
 - (2) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
4. No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the current land value for the same period announced by Ministry of Interior is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 10 The Company, acquiring or disposing of securities, shall, prior to the date of the occurrence of the event, obtain financial statements of the target companies for the most recent period, certified or reviewed by a certified public accountant, for reference in evaluating the transaction price, and if the amount of the transaction is 20% of the Company's paid-in capital or NT\$300,000,000 or more, the Company shall additionally engage a certified public accountant (CPA) prior to the date of the occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly traded securities that have an active market, or where otherwise provided by regulations of the competent securities authority.

Article 11 Where the Company acquires or disposes of intangible assets, right-of-use assets thereof or membership and the transaction amount reaches 20% or more of the paid-in capital or NT\$300,000,000 or more, except in transactions with a local government agency/authority, the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.

Article 12 The transaction amounts referred to in the preceding three articles shall be calculated in accordance with paragraph 2 of Article 31 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the transaction. The amounts due to professional appraisers for the appraisal report and CPA for the CPA's opinions can be excluded from the calculation.

Article 13 Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or the CPA opinion.

Section III Related Party Transactions

Article 14 When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that necessary resolutions be adopted and the reasonableness of the transaction terms be evaluated according to the provisions of the preceding Section and this Section, if the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 12 herein.

When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationships shall also be considered.

Article 15 When the Company intends to acquire or dispose of real estate or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real estate or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of the paid-in capital, 10% or more of the Company's total assets, or NT\$300,000,000 or more, except in the trading of local government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds which are issued by domestic securities investment trust companies, subject to mutatis mutandis application of paragraphs 2, 3 and 4 of Article 6, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all Audit Committee members, and then submitted to the board of directors for a resolution:

1. The purpose, necessity and estimated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a trading counterparty.
3. With respect to the acquisition of real estate or right-of-use assets thereof from a related party, information regarding evaluation of the reasonableness of the pre-determined transaction terms in accordance with Articles 16 and 17.
4. The date and price at which the related party originally acquired the real estate, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other major terms associated with the transaction.

With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the Company's board of directors may, pursuant to subparagraph 3, paragraph 1 of Article 7, delegate the chairman to decide such matters when the transaction is less than NT\$1,000,000,000 (one billion) and have the decisions subsequently ratified at the next board of directors meeting:

1. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
2. Acquisition or disposal of real estate right-of-use assets held for business use.

If the Company or its subsidiary that is not a domestic public company will have a transaction set out in paragraph 1 of Article 7 and the transaction amount will reach 10% or more of the Company's total assets, the Company shall submit the materials in all the subparagraphs of paragraph 1 of Article 7 to the shareholder's meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the Company and its subsidiary or between its subsidiaries.

The calculation of the transaction amounts referred to **paragraph 1 of Article 7 and** in the preceding paragraph shall be made in accordance with paragraph 2 of Article 31 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the transaction. The amounts approved by the **Shareholders' Meeting**, board of directors and ratified by the Audit Committee can be excluded from the calculation.

Article 16 The Company that acquires real estate or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:

1. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the Company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.

Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

The Company that acquires real estate or right-of-use assets thereof from a related party and appraises the cost of the real estate or right-of-use assets thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.

Where the Company acquires real estate or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the preceding Article, and the preceding three paragraphs do not apply:

1. The related party acquired the real estate or right-of-use assets thereof through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real estate or right-of-use assets thereof to the signing date for the current transaction.
3. The real estate is acquired through the signing of a joint development contract with the related party, or through engaging a related party to build real estate, either on the Company's own land or on leased land.
4. The real estate right-of-use assets for business use are acquired by the Company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.

Article 17 When the results of the Company's appraisal conducted in accordance with paragraphs 1 and 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 18. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real estate appraiser and a CPA, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 - (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market practices or leasing practices.
2. Where the Company acquiring real estate or obtaining real estate right-of-use assets

through leasing from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters, or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real estate or obtainment of the real estate right-of-use assets thereof.

Article 18 Where the Company acquires real estate or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding two Articles are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real estate or right-of-use assets thereof transaction price and the appraised cost, and may not be distributed as cash/stock dividends. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
2. The Audit Committee shall comply with Article 218 of the Company Act.
3. Actions taken pursuant to the preceding two Articles shall be reported to a Shareholders' Meeting, and the details of the transaction shall be disclosed in the annual report and any prospectus.

The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the Financial Supervisory Commission (FSC) has given its consent.

When the Company obtains real estate or right-of-use assets thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.

Section IV Engaging in Derivatives Trading

Article 19 The Company engaging in derivatives trading shall pay strict attention to control of the following important risk management and auditing matters, and incorporate them into the Procedures:

1. Trading principles and strategies:
 - (1) Types of derivatives that may be traded: the Company may engage any derivatives as defined in paragraph 1, Article 4 of the Procedures.
 - (2) Operating or hedging strategies: according to the purpose of acquisition or issuance, the derivatives trading may be categorized as derivatives for hedge purpose and derivatives for transaction purpose.
The Company's derivatives trading shall be mainly used for hedge purpose. Transaction counterparty shall be the financial institution with the business relationship with the Company to avoid the credit risk.
 - (3) Segregation of duties:
 - (i) Accounting department: shall be responsible for creating the journal of the transaction, confirming the transaction report, generating accounting documents/vouchers and finalizing the accounting statements.
 - (ii) Financial department: the financial department shall:
 - A. Acknowledge the market information, determine the trend and risks, clearly understand the derivatives, the related laws and regulations, and provide sufficient and prompt information to relevant departments.
 - B. Evaluate the total amount of the Company's foreign exchange transactions and other hedge requirements, avoid potential risks according to the Company's policy, and fasten the costs and profits. The financial department shall control every derivatives transaction and assess the loss and profit which has not been realized subject to the market price.
 - C. Calculate the cash flow in compliance with the credit line offered by the bank to assist financial personnel to make the settlement.
 - D. Be responsible for drafting or modifying the relevant procedures of derivatives transactions, summarizing and managing the transaction records periodically reported by the Company and subsidiaries to make monthly public announcement.
 - (iii) Audit department: shall make periodical and non-periodical inspection pursuant to internal audit regulations.
 - (4) Essentials of performance evaluation: the accounting department shall evaluate the net balance, provide the report of foreign exchange transaction to the competent supervisors as the reference of management and performance assessment periodically to adjust and improve the hedge policy.
 - (5) Total amount of derivatives contracts that may be traded:
 - (i) Total amount of hedge product transactions: shall be limited to the

maximum amount of estimated assets or debts that the Company may acquire or generate now and within following six months. If the hedge product transactions exceed the maximum amount, it shall submit to the board of directors for approval.

- (ii) Total amount of transaction products: the Company shall not engage the trade of transaction products unless approved by the board of directors.
- (6) Maximum loss limit on total trading and for individual contracts: Except the hedge product transactions, the maximum amount of transaction risk in an individual contract shall not exceed US\$ 100,000, the maximum loss amount and stop loss limit of the whole transactions/contracts shall not exceed US\$ 1,000,000 or other currency in equivalent amount. Any alternation of the content in this article shall be approved by the board of directors.
- 2. Risk management measures: pursuant to Article 19 of the Procedures.
- 3. Internal audit system: pursuant to paragraph 2, Article 21 of the Procedures.
- 4. Regular evaluation methods and the handling of irregular circumstances: pursuant to the relevant articles of the Procedures.

Article 20 The Company engaging in derivatives trading shall adopt the following risk management measures:

- 1. Risk management scope:
 - (1) Consideration of credit risk: the counterparty of derivatives trading shall be the bank which has a business relationship with the Company or a prominent international financial institution which may provide professional information.
 - (2) Consideration of market price risk: the Company shall control the market price risks arising from the fluctuations of interest rate, exchange rate or other reasons from time to time.
 - (3) Consideration of liquidity risk: the counterparty of derivatives trading shall be capable of sufficient equipment, information and ability to execute trading in any market.
 - (4) Consideration of cash flow risk: the Company shall maintain sufficient quick assets and credit facilities to meet the cash settlement requirement.
 - (5) Consideration of operating risk: the Company shall illustrate the delegated amount and operating procedure to avoid operation risk.
 - (6) Consideration of legal risks: all of the documents signed by the Company with the counterparty shall be reviewed by internal legal personnel or legal counsel to avoid legal risks.
- 2. The respective functions of trading, confirmation and settlement should be performed by different personnel.
- 3. Risk measurement, monitoring, control personnel and the personnel mentioned in the preceding subparagraph shall be assigned to different departments and shall report to the board of directors or senior management personnel with no responsibility for trading or making decision on position.
- 4. Derivatives trading positions held for trading purposes shall be evaluated at least

once per week; however, hedge purpose positions for meeting operational requirements shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors and submitted to the board of directors for reference quarterly.

Article 21 Where the Company engaging in derivatives trading, its board of directors shall faithfully supervise and manage such trading in accordance with the following principles:

1. Designate senior management personnel to pay continuous attention to monitoring and controlling derivatives trading risk.
2. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.

Senior management personnel authorized by the board of directors shall manage derivatives trading in accordance with the following principles:

1. Periodically evaluate the risk management measures currently employed are appropriate and are faithfully conducted in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and the Procedures for engaging in derivatives trading formulated by the Company.
2. When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, due measures shall be adopted and reported immediately to the board of directors and independent director(s) shall be present at the board meeting and express opinions.

The Company shall report to the earliest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with the Procedures for engaging in derivatives trading.

Article 22 The Company engaging in derivatives trading shall establish a logbook in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under subparagraph 4 of Article 20 and subparagraph 2 of paragraph 1, and subparagraph 1 of paragraph 2, of the preceding Article shall be recorded in detail in the logbook.

The Company's internal audit personnel shall periodically examine the appropriateness of internal controls over derivatives trading and conduct a monthly audit of the compliance of derivatives trading by the trading department with the procedures, and prepare an audit report. In the event of any material violations, the Audit Committee shall be notified in writing.

Section V Mergers, Spin-offs, Acquisitions, and Transfer of Shares

Article 23 The Company that conducts a merger, spin-off, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid third-party fairness opinion may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

Article 24 In the event that the Company participating in a merger, spin-off, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, spin-off, or acquisition prior to the Shareholders' Meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the Shareholders' Meeting for reference in deciding whether to approve the merger, spin-off, or acquisition. Provided, where a provision of another act exempts a company from convening a Shareholders' Meeting to approve the merger, spin-off, or acquisition, this restriction shall not apply.

Where the Shareholders' Meeting of any one of the companies participating in a merger, spin-off or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the Shareholders' Meeting, the companies participating in the merger, spin-off or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next Shareholders' Meeting.

Article 25 A company participating in a merger, spin-off, or acquisition shall convene a board of directors meeting and Shareholders' Meeting on the day of the transaction to resolve matters relevant to the merger, spin-off, or acquisition, unless another act provides otherwise, or the competent securities authority is notified in advance of extraordinary circumstances and grants consent.

A company participating in a transfer of shares shall call a board of directors meeting on the day of the transaction, unless another act provides otherwise, or the competent securities authority is notified in advance of extraordinary circumstances and grants consent.

When participating in a merger, spin-off, acquisition, or transfer of shares where shares are listed on an exchange or traded on an OTC market, a full written record of the following information shall be kept for 5 years for reference:

1. Basic identification data for personnel: Including the occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, spin-off, acquisition, or transfer of another company's shares prior to disclosure of the information.
2. Dates of material events: Including the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a board of directors meeting.
3. Important documents and minutes: Including merger, spin-off, acquisition, and transfer of shares plans, any letter of intent or memorandum of understanding, material contracts, and minutes of board of directors meetings.

When participating in a merger, spin-off, acquisition, or transfer of shares where shares are listed on an exchange or traded on an OTC market, within 2 days immediately from the date of passage of a resolution by the board of directors, a report (in the prescribed format and via the Internet-based information system) with the information set out in subparagraphs 1 and 2 of the preceding paragraph shall be sent to the Financial Supervisory Commission (FSC) for review.

Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares where shares are neither listed on an exchange nor traded on an OTC market, the Company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of the preceding two paragraphs.

Article 26 Every person participating in or privy to the plan for merger, spin-off, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, spin-off, acquisition, or transfer of shares.

Article 27 The Company participating in a merger, spin-off, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, spin-off, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
2. An action, such as a disposal of major assets that affects the Company's financial operations.
3. An event, such as a major disaster or major change in technology that affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, spin-off, acquisition, or transfer of shares from another company, buys back treasury stock.

5. An increase or decrease in the number of entities or companies participating in the merger, spin-off, acquisition, or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 28 The contract for participation by the Company in a merger, spin-off, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, spin-off, acquisition, or transfer of shares, and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-based securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated Shareholders' Meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 29 After public disclosure of the information, if any company participating in the merger, spin-off, acquisition, or transfer of shares intends further to carry out a merger, spin-off, acquisition, or transfer of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, spin-off, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's Shareholders' Meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another Shareholders' Meeting to resolve on the matter anew.

Article 30 Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Articles 25, 26, and the preceding Article.

Chapter III Public Disclosure of Information

Article 31 Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in an appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:

1. Acquisition or disposal of real estate or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real estate or right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of the paid-in capital, or 10% or more of the Company's total assets, or NT\$300,000,000 or more; provided, this shall not apply to trading of local government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds which are issued by domestic securities investment trust companies.
2. Merger, spin-off, acquisition, or transfer of shares.
3. Losses from derivatives trading reaching the limits of aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.
4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the trading counterparty is not a related party, and the transaction amount meets any of the following criteria:
 - (1) For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.
 - (2) For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
5. Engaging others to build on the Company's own land, engaging others to build on leased land, joint construction and allocation of housing units, joint construction and allocation of ownership, or joint construction and separate sale, and furthermore, the trading counterparty is not a related party, with estimated amount of investment by the Company reaching NT\$500,000,000 or more.
6. Any asset transactions other than those referred to in the preceding five subparagraphs, or an investment in the mainland China area with an amount reaching 20% or more of the paid-in capital or NT\$300,000,000 or more, excluding the following circumstances:
 - (1) Trading of local government bonds **or foreign government bonds with a credit rating no lower than the sovereign rating of Taiwan.**
 - (2) Securities trading by investment professionals on securities exchanges or over-the-counter markets, or subscription of **foreign government bonds**, straight bonds or of non-equity related general bank debentures (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds **or subscription or redemption of exchange-traded notes.**
 - (3) Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds which are issued by domestic securities investment trust companies.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of

- underlying asset with the same trading counterparty within the preceding year.
3. The cumulative transaction amount of real estate or right-of-use assets thereof acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
 4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

"Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the transaction. Items duly announced in accordance with the Procedures need not be re-announced.

The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

If the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days inclusive of the date of knowing of such errors or omissions.

Article 32 Where any of the following circumstances occurs with respect to a transaction that the Company has already announced publicly and reported in accordance with the preceding article, a public announcement of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:

1. Change, termination, or rescission of a contract signed in regard to the original transaction.
2. The merger, spin-off, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
3. Change in the originally publicly announced and reported information.

Chapter IV Additional Provisions

Article 33 Information required to be publicly announced and reported in accordance with the provisions of the preceding Chapter on acquisitions and disposals of assets by a subsidiary of the Company that is not itself a public company in Taiwan shall be reported by the Company.

The paid-in capital or total assets of the Company shall be the criteria for determining whether or not the subsidiary referred to in the preceding paragraph is subject to Article 31, paragraph 1 requiring a public announcement and regulatory filing depending on

paid-in capital or total assets; provided, the term “paid-in capital” in subparagraph 4, paragraph 1 of Article 31 shall be based on the Company’s and its subsidiaries’ paid-in capital respectively.

Article 34 For the calculation of 10% of total assets under the Procedures, the total assets stated in the most recent parent company only financial report or in the individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

In the case of a company whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20% of the paid-in capital under the Procedure, 10% of equity attributable to owners of the parent company shall be substituted; for calculations under the provisions of the Procedures regarding transaction amounts relative to paid-in capital of NT\$10,000,000,000 (ten billion), NT\$20,000,000,000 (twenty billion) of equity attributable to owners of the parent shall be substituted.

Article 35 The Procedures shall be effective from the date approved by the Shareholders’ Meeting.