



Taiwan Mobile Co., Ltd.

2013 Annual General Shareholders' Meeting

Agenda (Translation)

June 21, 2013

Note to Readers:

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 version shall prevail.

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Agenda of 2013 Annual General Shareholders' Meeting

Time: Friday, June 21, 2013 at 9:00 a.m.

Place: No.1, Sec. 5, Sinyi Rd., Taipei
(201DEF meeting room, Taipei International Convention Center)

1. The Chairman — Call the meeting to order
2. Chairman's Address
3. Report Items
4. Proposed Resolutions
Voting by poll
5. Special Motions
6. Meeting Adjourned

Report Items

1. The 2012 Business Report

The 2012 Business Report is attached hereto as Attachment I. (page 8-9)

2. The 2012 Audit Committee Report

The 2012 Audit Committee Report is attached hereto as Attachment I. (page 10-11)

3. The Third and the Fourth Unsecured Corporate Bonds Issuance

(1) To repay the second unsecured corporate bonds due and maintain a sound financial structure, the board approved the issuance of the third and the fourth unsecured corporate bonds within the total amount of NT\$16bn.

(2) The issuance of the aforementioned unsecured corporate bonds has been approved by the Financial Supervisory Commission (No. 1010055955 on December 6, 2012 and No. 1020005698 on February 27, 2013). The issuance and offering of the third and the fourth unsecured corporate bonds were completed on December 20, 2012 and April 25, 2013, respectively and the bonds have started to be traded on the over-the-counter market. Details about the issuance of the third and the fourth unsecured corporate bonds are attached hereto as Attachment I. (page 12)

4. CPA's Opinion on the Accounting Policy Change in Revenue Recognition of Bundle Sales

(1) To comply with the developing trend of the IFRS (International Financial Reporting Standards) as its relates to revenue recognition, the Company and its 100% owned subsidiary, Taiwan Fixed Network Co., Ltd., having referred to common practices of most of the large telecom companies worldwide and research reports from professional public accounting firms, changed the accounting policy regarding bundle sales from the residual value method to the relative fair value method starting from January 1, 2013. Telecom and product sales revenue were originally recognized based on their respective amounts received from the customers but, with the change to the relative fair value method, telecom and product sales revenue will now be recognized based on the proportion of the respective fair value in a bundle contract. The purpose of the aforementioned accounting policy change is to fairly present the substance of a transaction as well as to properly match the revenues and its corresponding expenses within a contract period, so as to enhance the transparency for financial disclosure of the Group. The aforementioned information can be referred to in the Company's No. 6 announcement disclosed in Market Observation Post System on January 31, 2013.

(2) The nature and reasons of the aforementioned changes and the reasonableness and necessity of adopting the new accounting policy as well as the impacts on the retained earnings on January 1, 2013 and the information of consolidated affected amounts for 2012 are prepared in accordance with Article 6 of the Guidelines Governing the Preparation of Financial Reports. The certified public accountants, Simon Chen and Janice Lai, of KPMG have issued reviewed opinion attached hereto as Attachment I. (page 13)

5. The impacts from the adoption of the International Financial Reporting Standards (IFRS) on retained earnings and setting aside special reserves

In line with the Financial Supervisory Commission's issuing of interpretation No. 1010012865 on April 6, 2012 related to the financial statements prepared due to the adoption of the IFRS, the Company discloses the following information:

(1) Retained earnings were deducted by NT\$438,166 thousand on January 1, 2012, and

accumulated reduction on retained earnings was NT\$587,634 thousand as of January 1, 2013.

(2) The Company doesn't need to set aside more special reserves.

Proposed Resolutions

1. To accept the 2012 Business Report and Financial Statements

Taiwan Mobile's (The Company) financial statements were audited by certified public accountants, Simon Chen and Janice Lai, of KPMG and approved at the board meeting on January 31, 2013. The 2012 Business Report, CPA's audit report, and financial statements are attached hereto as Attachments I.

Resolution:

2. To ratify the proposal for the distribution of the 2012 retained earnings

- (1) The Company's 2012 net income was NT\$14,691,604,514 (Please see Attachment II for the 2012 Earnings Distribution Proposal).
- (2) Cash dividend proposed by the Board is NT\$14,526,577,682. 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 and cash returns out of legal reserve and capital surplus from the Company. Deducting 730,725,849 shares collectively owned by TCCI, TID and TUI from the total outstanding shares of 3,420,832,827, the share count entitled to receive dividends is 2,690,106,978, representing NT\$5.4 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.

Resolution:

3. To approve cash returns distributed from legal reserve

Cash returns distributed from legal reserve proposed by the Board is NT\$269,010,698. 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 and cash returns out of legal reserve and capital surplus from the Company. Deducting 730,725,849 shares collectively owned by TCCI, TID and TUI from the total outstanding shares of 3,420,832,827, the share count entitled to receive cash return is 2,690,106,978, representing NT\$0.1 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.

Resolution:

4. To approve the Company consigns its direct store related operations to Taiwan Digital Service Co., Ltd.

- (1) To enhance the workforce stability and reduce the personnel cost of the direct stores as well as implement a human resource system more suited for the features of a retail channel, the Company established Taiwan Digital Service Co., Ltd. (TDS) through its 100% owned subsidiary, Taiwan Cellular Co., Ltd. (TDS office address: 13F-1, No. 172-1, Sec. 2, Ji-Lung Road, Taipei City)
- (2) According to Item 1-1, Article 185 of the Company Act, the Company plans to consign direct store related operations, including mobile service subscription, mobile service

contract renewals, and other related services, to TDS. The Company will enter into a delegated management contract with TDS, paying the service commission benchmarking to market prices.

5. To approve revisions to the Articles of Incorporation

To precisely identify the scope of earnings distribution and the procedures of the earnings distribution, the Company proposed the revisions to Article 31 of the Article of Incorporation.

Please refer to Attachment III for the before and after amendments for comparison.

Resolution:

6. To approve revisions to the Rules and Procedures of Lending and Making Endorsements/Guarantees

In compliance with the Financial Supervisory Commission's issuing of interpretation No. 1010029874 related to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" on July 6, 2012, the Company proposed the revisions to the related articles of the Rules and Procedures of Lending and Making Endorsements/Guarantees reflecting the adoption of the International Financial Reporting Standards ("IFRS").

Please refer to Attachment IV for the before and after amendments for comparison.

Resolution:

7. To approve the amendment to the Election Rules of the Directors and Supervisors

In compliance with the adoption of an electronic voting system, the nomination system and the establishment of an Audit Committee to replace board supervisors, the Company proposed the revisions to the related articles of the Election Rules of the Directors and Supervisors and renamed it as the Election Rules of the Directors.

Please refer to Attachment V for the before and after amendments for comparison.

Resolution:

Special Motions

Meeting Adjourned

ATTACHMENTS



Business Report

Taiwan Mobile's ("TWM" or "The Company") consolidated net profit in 2012 rose 9% from a year ago, bolstered by revenue growth in all three major business groups – Consumer, Enterprise and Home. Given solid operating results, TWM's share price surged past the NT\$100 mark for the first time last year. For the year ahead, management and employees are committed to further enhancing the Company's core competence and market leadership in order to meet shareholders' expectations.

Steady expansion of core business

In 2012, Taiwan Mobile posted a consolidated revenue of NT\$98.14bn, up 21% from a year ago. The Company's consolidated EBITDA of NT\$27.93bn and net income of NT\$14.69bn reached 98% and 102%, respectively, of its annual targets. Earnings per share rose 16% YoY to NT\$5.46. In addition to the benefits of a capital reduction in August 2011, the Company's growth was propelled by the following:

1. Wireless value-added services

The Company introduced many exclusive mid-to-low-end smartphone models bundled with data promotional packages to encourage users to switch from feature phones to smartphones. As a result, TWM's smartphone penetration rate reached 39% at the end of 2012, boosting wireless value-added service (VAS) revenue by 39% from 2011. Mobile VAS revenue as a percentage of total mobile service revenue climbed to 33% at the end of 2012.

2. Cable broadband services

Following the successful launch of its high-speed 60Mbps cable internet service in 2012, TWM's high-speed (≥ 20 Mbps) customer mix rose to 28% from 12% a year ago. This boosted the Company's cable internet subscriber numbers and average revenue per user (ARPU) by 10% and 4% YoY, respectively, leading to 15% YoY growth in cable internet revenue.

Enhancing corporate value

1. World-class corporate governance

Taiwan Mobile's commitment to corporate governance has made it a role model in protecting shareholders' interests and promoting financial transparency. The Company's compliance with global standards has won the trust of investors as well as numerous awards and recognition from various domestic and international rating institutions last year,

including the following: “Best Corporate Investor Relations, Taiwan” in the 2nd Asian Excellence Recognition Awards from Corporate Governance Asia magazine; an “A++” rating and top 10 ranked listed company for “Transparency and Information Disclosure” by the Securities and Futures Institute for the seventh consecutive year; and first place in the “Info Tech 100 Taiwan” and eighth in the “Info Tech 100 Asia” by Business Next magazine.

2. A role model for corporate social responsibility

TWM’s efforts to employ its corporate and financial resources to assist non-profit organizations in promoting social welfare have also won wide recognition. Last year, these included the “Best CSR” in the 2nd Asian Excellence Recognition Awards by Corporate Governance Asia magazine; the “Corporate Social Responsibility Award” for excellence in Community Care and Teamwork Efficiency by Global Views Monthly magazine; “Excellence in Corporate Social Responsibility” award from CommonWealth magazine for the sixth consecutive year, with the Company also ranking first in the Non-manufacturing Sector; and the Silver Award in the Telecoms Sector of the 2012 Taiwan Corporate Sustainability Report Awards from the Taiwan Institute for Sustainable Energy.

3. Premium services and customer satisfaction

With customer care as its core value, TWM offers premium customer services that include world-class information security, network quality and product and service innovations – all of which were critical to its earning the following recognition: named the “Most Prestigious Company” in the Telecoms Sector in an annual survey conducted by CommonWealth magazine; winner of the “Trusted Brand Gold Award” from Reader’s Digest for the ninth consecutive year; and named No.2 in Next magazine’s “Ninth Annual Top Service Awards” in the Mobile and Fixed-line Communications category.

Although the National Communications Commission’s (NCC) introduction to reduce mobile termination rates (MTR) starting 2013 will weigh on the Company’s revenue and profit, TWM will continue to explore new growth opportunities and introduce innovative products and services to ensure steady profitability. The NCC also plans to release 4G licenses to improve the speed and quality of domestic wireless broadband networks by the end of 2013. The Company will cautiously review potential acquisition of a new spectrum and license and expects to enhance shareholders’ interests by opening new business opportunities in the 4G era.



Taiwan Mobile Co., Ltd.

Audit Committee Report

January 30, 2013

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2012 financial statements to the Audit Committee. The CPA firm, KPMG, was retained by the Board to audit TWM's financial statements and has issued an audit report relating to the financial statements. The 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, I hereby submit this report on behalf of all members of the committee to the 2013 Annual General Meeting for ratifications.

Taiwan Mobile Co., Ltd.

A handwritten signature in black ink, reading "T.M. Chung". The signature is written in a cursive, flowing style.

Tsung-Ming Chung

Chairman of the Audit Committee



Taiwan Mobile Co., Ltd.

Audit Committee Report

April 30, 2013

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's business report and proposal for distribution of the 2012 earnings to the Audit Committee. The business report and proposal 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, I hereby submit this report on behalf of all members of the committee to the 2013 Annual General Meeting for ratifications.

Taiwan Mobile Co., Ltd.

A handwritten signature in black ink, reading "T.M. Chung", with a stylized flourish at the end.

Tsung-Ming Chung

Chairman of the Audit Committee

The Third and the Fourth Unsecured Corporate Bonds Issuance

Issuance		Third unsecured corporate bonds	Fourth unsecured corporate bonds
Issue date		December 20, 2012	April 25, 2013
Denomination		NT\$10,000,000	NT\$10,000,000
Issuance and listing		Not applicable	Not applicable
Issue price		100%	100%
Total amount		NT\$9,000,000,000	NT\$5,800,000,000
Coupon		1.34% p.a.	1.29% p.a.
Term		7 years, maturing on Dec. 20, 2019	5 years, maturing on Apr. 25, 2018
Guarantor		None	None
Trustee		Hua Nan Bank, Trust Division	Hua Nan Bank, Trust Division
Underwriter		None	None
Legal counsel		Bang Shang Lin, Attorney	Bang Shang Lin, Attorney
Auditor		Simon Chen, CPA KPMG	Simon Chen, CPA KPMG
Repayment		Repayment of 50% of the principal in the 6 th year and the remaining 50% in the 7 th year	Repayment of 50% of the principal in the 4 th year and the remaining 50% in the 5 th year
Outstanding balance		NT\$9,000,000,000	NT\$5,800,000,000
Early repayment clause		None	None
Covenants		None	None
Credit rating agency, rating date, company credit rating		Taiwan Rating Corp., 2012.11.12, twAA	Taiwan Rating Corp., 2013.1.30, twAA
Ancillary rights	Amount converted/exchanged into common shares, ADRs or other securities	Not applicable	Not applicable
	Rules governing issuance or conversion (exchanged or subscription)	Not applicable	Not applicable
Dilution and other effects on shareholders' equity		Not applicable	Not applicable
Custodian		Not applicable	Not applicable

TAIWAN MOBILE CO., LTD.

Opinion Reviewed by CPA

Taiwan Mobile Co. Ltd, (TWM) and its subsidiary, Taiwan Fixed Network Co. Ltd, (TFN) proposed to change accounting principle regarding “revenue recognition of bundle sales”, which estimates contractual price by allocating among different revenue components based on relative fair value method. The nature and reason for the change from residual method to relative fair value method, the rationality and necessity, and the estimated effects brought by the new method have been reviewed by the CPA, in accordance with “Regulations Governing the Preparation of Financial Reports”, Article 6, as follows:

1. TWM and its subsidiary TFN currently recognize telecom and product sales revenue based on the actual amounts received from the customers.
2. To comply with the developing trend of IFRS (International Financial Reporting Standard), to refer to common practices of most of worldwide large telecom companies and research reports from professional public Accounting firms, to present transactions fairly and record gains and losses under correct period, and to enhance the financial disclosure transparency of the Group, the revenue recognition method of TWM and TFN has been changed to relative fair value method, which recognizes telecom service and product sales revenue based on the proportion of the respective fair value in a bundle contract.
3. TWM and its subsidiary TFN proposed to change accounting principle regarding bundle sales starting from January 1, 2013. The accumulated effect on retained earnings as of January 1, 2012 was \$5,424,092 thousand, and the effect for the year ended December 31, 2012 was \$1,748,679 thousand.

Based on the above information, we believe that TWM and its subsidiary TFN’s accounting principle change on “revenue recognition of bundle sales”, the nature and the reason for the change, the rationality and necessity, and the accumulated effects provide a reasonable basis for our opinion.

KPMG

Taipei, Taiwan, R.O.C.

January 24, 2013

The 2012 Financial Statements

Independent Auditors' Report

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

We have audited the accompanying balance sheets of Taiwan Mobile Co., Ltd. as of December 31, 2012 and 2011, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of Taiwan Mobile Co., Ltd. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of Taiwan Mobile Co., Ltd. and its subsidiaries as of December 31, 2012 and 2011.

KPMG
Taipei, Taiwan (the Republic of China)
January 31, 2013

Note to Readers

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

TAIWAN MOBLIE CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

(NT\$'000, except for par value)

ASSETS	2012.12.31		2011.12.31	
	Amount	%	Amount	%
CURRENT ASSETS :				
Cash and cash equivalents (Notes 2, 4(a), 4(r) and 5)	\$ 1,155,355	1	877,518	1
Available-for-sale financial assets – current (Notes 2, 4(b), 4(o) and 4(r))	205,397	-	217,351	-
Notes and accounts receivable, net (Notes 2, 4(c) and 4(r))	6,649,602	8	5,866,574	7
Accounts receivable – related parties (Notes 2, 4(r) and 5)	35,065	-	43,675	-
Other receivables (Note 4(r))	25,274	-	95,996	-
Other receivables – related parties (Notes 4(r) and 5)	1,891,092	2	1,378,824	2
Inventories (Notes 2 and 4(d))	1,949,335	2	1,430,322	2
Prepayments (Notes 4(e) and 5)	771,016	1	393,694	-
Deferred income tax assets – current (Notes 2 and 4(p))	16,719	-	-	-
Other current assets	3,701	-	3,133	-
Total current assets	12,702,556	14	10,307,087	12
INVESTMENTS :				
Investments accounted for using the equity method (Notes 2 and 4(f))	34,415,750	37	26,620,333	32
Financial assets carried at cost – non-current (Notes 2, 4(g) and 4(r))	50,324	-	50,324	-
Total investments	34,466,074	37	26,670,657	32
PROPERTY AND EQUIPMENT (Notes 2, 4(h) and 5) :				
Land	4,030,284	4	4,149,141	5
Buildings	2,544,380	3	2,566,966	3
Telecommunication equipment	60,699,261	66	58,358,681	69
Office equipment	12,547	-	11,308	-
Leased assets	1,285,920	1	1,285,920	2
Miscellaneous equipment	1,819,729	2	1,669,633	2
	70,392,121	76	68,041,649	81
Less accumulated depreciation	(43,753,297)	(47)	(38,625,221)	(46)
Less accumulated impairment – property	(88,503)	-	(110,481)	-
Construction in progress and prepayments for equipment	2,580,686	3	1,962,224	2
Net property and equipment	29,131,007	32	31,268,171	37
INTANGIBLE ASSETS (Note 2)				
3G concession license	4,486,254	5	5,233,964	6
Computer software cost	406,789	-	460,350	-
Goodwill (Note 4(i))	7,121,871	8	7,121,871	9
Total intangible assets	12,014,914	13	12,816,185	15
OTHER ASSETS :				
Assets leased to others (Notes 2 and 5)	2,061,874	2	1,966,590	2
Idle assets (Note 2)	10,737	-	10,864	-
Refundable deposits (Note 4(r))	379,407	-	333,644	-
Deferred charges (Note 2)	661,432	1	584,533	1
Deferred income tax asset – non-current (Notes 2 and 4(p))	487,787	1	737,989	1
Others (Notes 2 and 4(n))	48,914	-	31,984	-
Total other assets	3,650,151	4	3,665,604	4
TOTAL	\$ 91,964,702	100	84,727,704	100

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES :

Short-term borrowings (Notes 4(j), 4(r) and 5)	
Short-term notes and bills payable (Notes 4(k) and 4(r))	
Accounts payable (Note 4(r))	
Accounts payable – related parties (Notes 4(r) and 5)	
Income taxes payable (Notes 2, 4(p) and 4(r))	
Accrued expenses (Notes 2, 4(r) and 5)	
Other payables (Notes 2, 4(p), 4(r) and 5)	
Advance receipts (Note 4(l))	
Current portion of long-term liabilities (Notes 4(m) and 4(r))	
Deferred income tax liability – current (Notes 2 and 4(p))	
Other current liabilities (Note 5)	

Total current liabilities

LONG-TERM LIABILITIES :

Bonds payable (Notes 4(m) and 4(r))	
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OTHER LIABILITIES :

Guarantee deposits (Note 4(r))	
Deferred credits – gains on intercompany accounts (Notes 2 and 4(f))	
Others (Note 2)	

Total other liabilities

Total liabilities

SHAREHOLDERS' EQUITY (Notes 2, 4(f) and 4(o)) :

Capital stock -NT\$10.00 par value			
Authorized: 6,000,000 thousand shares			
Issued: 3,420,833 thousand shares	34,208,328	37	34,208,328 40
Capital surplus :			
From convertible bonds	8,775,819	10	8,775,819 11
From treasury stock transactions	3,639,302	4	3,639,302 4
From long-term investments	4,485	-	4,485 -
Others	12,840	-	12,840 -
Retained earnings :			
Legal reserve	18,061,894	20	16,715,018 20
Special reserve	-	-	821,741 1
Unappropriated earnings	16,021,036	17	15,735,518 18
Other equity :			
Cumulative translation adjustments	2,115	-	17,612 -
Net loss not recognized as pension cost	(24,050)	-	(16,775) -
Unrealized gains on financial instruments	99,351	-	111,306 -
Treasury stock	(31,077,183)	(34)	(31,077,183) (36)
Total shareholders' equity	49,723,937	54	48,948,011 58

TOTAL	\$ 91,964,702	100	84,727,704	100
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TAIWAN MOBLIE CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

(NT\$'000, except for EPS)

	2012		2011	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 5)				
Telecommunication service revenue	\$ 59,042,443	88	55,916,663	90
Other revenue	8,364,002	12	6,002,610	10
Total operating revenues	67,406,445	100	61,919,273	100
OPERATING COSTS (Notes 2, 5 and 10)	42,377,796	63	37,793,874	61
GROSS PROFIT	25,028,649	37	24,125,399	39
OPERATING EXPENSES (Notes 2, 5 and 10)				
Marketing	10,893,101	16	9,672,619	16
Administrative	3,371,002	5	3,283,056	5
Total operating expenses	14,264,103	21	12,955,675	21
OPERATING INCOME	10,764,546	16	11,169,724	18
NON-OPERATING INCOME AND GAINS				
Investment income recognized under the equity method, net (Notes 2 and 4(f))	5,795,170	9	3,743,703	6
Income from penalty charge	619,430	1	373,503	1
Rental income (Notes 2 and 5)	168,003	-	178,848	-
Interest income (Note 5)	35,379	-	120,393	-
Dividend income (Note 2)	11,869	-	12,007	-
Others (Note 2)	58,549	-	78,008	-
Total non-operating income and gains	6,688,400	10	4,506,462	7
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal and retirement of property and equipment (Note 2)	561,973	1	411,837	1
Interest expenses (Notes 2, 4(h) and 5)	382,155	1	238,856	-
Financial charges	8,678	-	11,465	-
Others (Note 2)	115,298	-	171,032	-
Total non-operating expenses and losses	1,068,104	2	833,190	1
INCOME BEFORE INCOME TAX	16,384,842	24	14,842,996	24
INCOME TAX EXPENSE (Notes 2 and 4(p))	1,693,237	2	1,374,233	2
NET INCOME	\$ 14,691,605	22	13,468,763	22

	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 4(q))				
Basic	\$ 6.09	5.46	5.18	4.70
Diluted	\$ 6.08	5.45	5.17	4.69

Pro forma information if the Corporation's stocks held by its subsidiaries were treated as an investment instead of treasury stock (after income tax):

NET INCOME	\$ 14,691,605	13,468,763
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EARNINGS PER SHARE AFTER INCOME TAX		
Basic	\$ 4.29	3.70
Diluted	\$ 4.29	3.69

TAIWAN MOBLIE CO., LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011

(NT\$'000, except for per share amounts)

	<u>Retained Earnings</u>						<u>Cumulative Translation Adjustments</u>	<u>Net Loss Not Recognized as Pension Cost</u>	<u>Unrealized Gain(Losses) on Financial Instruments</u>	<u>Treasury Stock</u>	<u>Total Shareholders' Equity</u>
	<u>Capital Stock</u>	<u>Capital Surplus</u>	<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated</u>	<u>Total</u>					
BALANCE, JANUARY 1, 2011	\$ 38,009,254	12,432,489	15,332,799	821,741	16,088,941	32,243,481	(5,716)	(10,695)	89,842	(31,889,100)	50,869,555
Appropriation of the 2010 earnings :											
Legal reserve	-	-	1,382,219	-	(1,382,219)	-	-	-	-	-	-
Cash dividends-NT\$4.1619 per share	-	-	-	-	(12,439,967)	(12,439,967)	-	-	-	-	(12,439,967)
Balance after appropriation	38,009,254	12,432,489	16,715,018	821,741	2,266,755	19,803,514	(5,716)	(10,695)	89,842	(31,889,100)	38,429,588
Net income in 2011	-	-	-	-	13,468,763	13,468,763	-	-	-	-	13,468,763
Capital reduction (Note 4(o))	(3,800,926)	-	-	-	-	-	-	-	-	-	(3,800,926)
Adjustment of stock held by subsidiaries (Note 4(o))	-	-	-	-	-	-	-	-	-	811,917	811,917
Unrealized gains on financial instruments, net	-	-	-	-	-	-	-	-	21,464	-	21,464
Adjustment on change of equity-method investments	-	(43)	-	-	-	-	23,328	(6,080)	-	-	17,205
BALANCE, DECEMBER 31, 2011	34,208,328	12,432,446	16,715,018	821,741	15,735,518	33,272,277	17,612	(16,775)	111,306	(31,077,183)	48,948,011
Appropriation of the 2011 earnings :											
Legal reserve	-	-	1,346,876	-	(1,346,876)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(821,741)	821,741	-	-	-	-	-	-
Cash dividends-NT\$5.16 per share	-	-	-	-	(13,880,952)	(13,880,952)	-	-	-	-	(13,880,952)
Balance after appropriation	34,208,328	12,432,446	18,061,894	-	1,329,431	19,391,325	17,612	(16,775)	111,306	(31,077,183)	35,067,059
Net income in 2012	-	-	-	-	14,691,605	14,691,605	-	-	-	-	14,691,605
Unrealized losses on financial instruments, net	-	-	-	-	-	-	-	-	(11,955)	-	(11,955)
Adjustment on change of equity-method investments	-	-	-	-	-	-	(15,497)	(7,275)	-	-	(22,772)
BALANCE, DECEMBER 31, 2012	\$ 34,208,328	12,432,446	18,061,894	-	16,021,036	34,082,930	2,115	(24,050)	99,351	(31,077,183)	49,723,937

Note 1 : The remuneration to directors of \$37,306 thousand and the bonus to employees of \$373,059 thousand have been expensed and deducted from 2010 earnings.

Note 2 : The remuneration to directors of \$36,284 thousand and the bonus to employees of \$362,844 thousand have been expensed and deducted from 2011 earnings.

TAIWAN MOBLIE CO., LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

(NT\$'000)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 14,691,605	13,468,763
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	6,563,662	6,703,780
Investment income recognized under the equity method	(5,795,170)	(3,743,703)
Cash dividends received from equity method investees	3,401,431	3,310,805
Amortization	1,419,753	1,366,026
Loss on disposal and retirement of property and equipment, net	561,972	411,837
Bad debts	258,870	139,185
Deferred income taxes	233,290	397,523
Provision of allowance for loss on inventories	47,012	9,888
Pension cost	(19,821)	3,036
Amortization of bond issuance costs	63	-
Others	(8,652)	-
Changes in operating assets and liabilities		
Notes and accounts receivables	(1,103,926)	(527,016)
Accounts receivable – related parties	8,610	42,148
Other receivables	130,034	274,423
Other receivables – related parties	(2,268)	50,068
Inventories	(566,025)	(374,946)
Prepayments	(377,322)	69,429
Other current assets	(568)	(1,276)
Accounts payable	1,374,333	644,498
Accounts payable – related parties	29,411	38,861
Income taxes payable	123,574	(249,368)
Accrued expenses	284,449	621,403
Other payables	(467,076)	(1,138,316)
Advance receipts	(7,965)	604,512
Other current liabilities	206,717	53,000
Other liabilities	(13,710)	(3,284)
Net cash provided by operating activities	<u>20,972,283</u>	<u>22,171,276</u>

TAIWAN MOBLIE CO., LTD.
STATEMENTS OF CASH FLOWS (CONT'D)
YEARS ENDED DECEMBER 31, 2012 AND 2011

(NT\$'000)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in long-term investments accounted for using the equity method	(5,424,450)	(14,049,600)
Acquisition of property and equipment	(5,089,046)	(4,121,580)
(Increase) decrease in financing provided to investees, net	(510,000)	10,823,000
Increase in deferred charges	(479,981)	(351,765)
Increase in computer software cost	(208,164)	(187,843)
Increase in refundable deposits	(45,763)	(17,402)
Proceeds from disposal of property and equipment	-	110
Proceeds from investees' capital reduction	-	5,540
Net cash used in investing activities	<u>(11,757,404)</u>	<u>(7,899,540)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(13,880,940)	(12,439,928)
Proceeds from issuance of bonds	8,995,117	-
Repayment of bonds	(4,000,000)	-
(Decrease) increase in short-term notes and bills payable	(899,273)	399,541
Increase (decrease) in short-term borrowings	800,000	(645,000)
Increase in guarantee deposits	48,054	10,583
Capital reduction	-	(3,800,295)
Decrease in long-term borrowings	-	(3,466,667)
Increase in long-term borrowings	-	2,666,667
Net cash used in financing activities	<u>(8,937,042)</u>	<u>(17,275,099)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	277,837	(3,003,363)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	877,518	3,880,881
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,155,355</u>	<u>877,518</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 371,066	395,861
Less interest capitalized	14,267	10,244
Interest paid – excluding interest capitalized	<u>\$ 356,799</u>	<u>385,617</u>
Income tax paid	<u>\$ 1,726,173</u>	<u>2,347,903</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 4,000,000</u>	<u>4,000,000</u>
Reclassification of the Corporation's shares held by its subsidiaries to treasury stock	<u>\$ 31,077,183</u>	<u>31,077,183</u>
CASH AND NON-CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment	\$ 5,082,210	3,805,395
Decrease in other payables	80,329	358,567
Increase in other liabilities – others	(73,493)	(42,382)
Cash paid for acquisition of property and equipment	<u>\$ 5,089,046</u>	<u>4,121,580</u>

The 2012 Consolidated Financial Statements

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Taiwan Mobile Co., Ltd. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. The audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial condition of Taiwan Mobile Co., Ltd. and subsidiaries as of December 31, 2012 and 2011, and the consolidated results of their operations and their consolidated cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

KPMG
Taipei, Taiwan (the Republic of China)
January 31, 2013

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial condition, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2012 AND 2011

(NT\$'000, except for par value)

	2012		2011	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 4(a), 4(s) and 5)	\$ 7,223,640	8	6,693,992	8
Financial assets at fair value through profit or loss – current (Notes 2, 4(b) and 4(s))	-	-	60,186	-
Available-for-sale financial assets – current (Notes 2, 4(c) and 4(s))	205,397	-	217,351	-
Notes receivable (Note 4(s))	42,710	-	23,423	-
Accounts receivable, net (Notes 2, 4(d) and 4(s))	7,947,448	9	7,675,936	9
Accounts receivable – related parties (Notes 2, 4(s) and 5)	66,570	-	124,601	-
Other receivables (Notes 4(s) and 5)	331,767	-	235,044	-
Inventories (Notes 2 and 4(e))	2,627,754	3	2,070,536	2
Prepayments (Note 5)	1,120,289	1	877,470	1
Deferred income tax assets – current (Notes 2 and 4(q))	46,640	-	28,391	-
Restricted assets (Notes 4(s), 5, 6 and 7)	406,030	1	73,062	-
Other current assets	78,941	-	46,041	-
Total current assets	20,097,186	22	18,126,033	20
INVESTMENTS				
Investments accounted for using the equity method (Notes 2 and 4(f))	1,248,562	1	562,812	1
Financial assets carried at cost – non-current (Notes 2, 4(g) and 4(s))	1,093,791	1	1,098,739	1
Bonds measured at amortized cost – non-current (Notes 2, 4(h) and 4(s))	500,000	1	500,000	-
Total investments	2,842,353	3	2,161,551	2
PROPERTY AND EQUIPMENT (Notes 2 and 4(i))				
Cost				
Land	6,637,179	7	6,358,920	7
Buildings	4,138,060	5	4,095,308	4
Telecommunication equipment	69,660,556	76	65,987,074	72
Office equipment	141,867	-	142,497	-
Leased assets	1,285,920	1	1,285,920	2
Miscellaneous equipment	2,959,872	3	2,552,662	3
	84,823,454	92	80,422,381	88
Less accumulated depreciation	(48,793,438)	(53)	(42,293,583)	(46)
Less accumulated impairment – property	(110,482)	-	(110,482)	-
Construction in progress and prepayments for equipment	3,914,647	4	2,783,131	3
Net property and equipment	39,834,181	43	40,801,447	45
INTANGIBLE ASSETS (Note 2)				
Trademarks (Note 4(j))	2,516,890	3	2,516,674	3
3G concession license	4,486,254	5	5,233,964	6
Computer software cost	537,303	1	587,814	-
Goodwill (Note 4(j))	15,844,964	17	15,846,068	17
Customer relationship (Note 4(j))	1,988,999	2	2,168,107	2
Operating rights (Note 4(j))	1,382,000	1	1,382,000	2
Other intangible assets	24,614	-	26,047	-
Total intangible assets	26,781,024	29	27,760,674	30
OTHER ASSETS				
Assets leased to others (Note 2)	299,991	-	302,799	-
Idle assets (Note 2)	99,685	-	99,813	-
Refundable deposits (Notes 4(s) and 5)	574,301	1	516,978	-
Deferred charges (Note 2)	666,741	1	596,245	1
Deferred income tax assets – non-current (Notes 2 and 4(q))	496,957	-	743,916	1
Others (Notes 2, 4(m), 4(o), 4(s), 5, and 6)	682,625	1	684,912	1
Total other assets	2,820,300	3	2,944,663	3
TOTAL	\$ 92,375,044	100	91,794,368	100

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Short-term borrowings (Notes 4(k) and 4(s))	\$ 3,158,440	4	9,000,000	10
Short-term notes and bills payable (Notes 4(l) and 4(s))	-	-	899,273	1
Notes payable (Note 4(s))	360,669	-	641,166	1
Accounts payable (Note 4(s))	7,354,917	8	5,703,992	6
Accounts payable – related parties (Notes 4(s) and 5)	64,377	-	-	-
Income taxes payable (Notes 2, 4(q) and 4(s))	1,523,604	2	1,331,623	1
Accrued expenses (Notes 2, 4(p) and 4(s))	6,281,866	7	6,131,719	7
Other payables (Notes 2 and 4(s))	3,063,441	3	3,594,997	4
Current portion of long-term liabilities (Notes 4(n) and 4(s))	4,000,000	4	4,000,000	4
Advance receipts (Note 4(m))	3,973,266	4	4,028,165	4
Deferred income tax liability – current (Note 4(q))	94	-	193	-
Other current liabilities	968,832	1	774,831	1

Total current liabilities

LONG-TERM LIABILITIES

Bonds payable (Notes 4(n) and 4(s))	8,995,180	10	4,000,000	4
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OTHER LIABILITIES

Guarantee deposits (Note 4(s))	810,436	1	738,932	1
Deferred income tax liability – non-current (Notes 2 and 4(q))	239,163	-	195,847	-
Others (Note 2)	774,939	1	689,745	1

Total other liabilities

Total liabilities

SHAREHOLDERS' EQUITY (Notes 2 and 4(p))

Parent's shareholders' equity				
Capital stock – NT\$10 par value	34,208,328	37	34,208,328	38
Authorized:6,000,000 thousand shares ; Issued:3,420,833 thousand shares				
Capital surplus				
From convertible bonds	8,775,819	10	8,775,819	10
From treasury stock transactions	3,639,302	4	3,639,302	4
From long-term investments	4,485	-	4,485	-
Others	12,840	-	12,840	-
Retained earnings				
Legal reserve	18,061,894	20	16,715,018	18
Special reserve	-	-	821,741	1
Unappropriated earnings	16,021,036	17	15,735,518	17
Other equity				
Cumulative translation adjustments	2,115	-	17,612	-
Net loss not recognized as pension cost	(24,050)	-	(16,775)	-
Unrealized gains on financial instruments	99,351	-	111,306	-
Treasury stock	(31,077,183)	(34)	(31,077,183)	(34)
	49,723,937	54	48,948,011	54
Minority interest	1,081,883	1	1,115,874	1
Total shareholders' equity	50,805,820	55	50,063,885	55

TOTAL

	2012		2011	
	Amount	%	Amount	%
TOTAL	\$ 92,375,044	100	91,794,368	100

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011

(NT\$'000, except for EPS)

	2012		2011	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 5)	\$ 98,140,954	100	81,369,183	100
OPERATING COSTS (Notes 2, 5, and 11)	62,733,818	64	48,641,510	60
GROSS PROFIT	35,407,136	36	32,727,673	40
OPERATING EXPENSES (Notes 2, 5, and 11)				
Marketing	12,434,471	13	10,802,385	13
Administrative	4,792,207	5	4,335,483	5
Total operating expenses	17,226,678	18	15,137,868	18
OPERATING INCOME	18,180,458	18	17,589,805	22
NON-OPERATING INCOME AND GAINS				
Income from penalty charge	640,822	1	387,128	1
Interest income	55,503	-	99,460	-
Rental income (Notes 2 and 5)	33,825	-	45,210	-
Dividend income (Note 2)	19,888	-	19,114	-
Gain on disposal of property and equipment (Note 2)	3,796	-	1,435	-
Others	87,276	-	120,529	-
Total non-operating income and gains	841,110	1	672,876	1
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal and retirement of property and equipment (Note 2)	591,714	1	441,413	1
Interest expenses (Notes 2 and 4(i))	328,162	-	240,835	-
Investment loss recognized under the equity method (Notes 2 and 4(f))	10,502	-	24,790	-
Financial charges	10,333	-	12,268	-
Impairment loss (Notes 2 and 4(g))	1,948	-	1,209,970	2
Others	107,487	-	204,836	-
Total non-operating expenses and losses	1,050,146	1	2,134,112	3
INCOME BEFORE INCOME TAX	17,971,422	18	16,128,569	20
INCOME TAX EXPENSES (Notes 2 and 4(q))	3,055,140	3	2,502,389	3
CONSOLIDATED NET INCOME	\$ 14,916,282	15	13,626,180	17
ATTRIBUTED TO				
Shareholders of the parent	\$ 14,691,605	15	13,468,763	17
Minority interest	224,677	-	157,417	-
	\$ 14,916,282	15	13,626,180	17
	Before	After	Before	After
	Income Tax	Income Tax	Income Tax	Income Tax
EARNINGS PER SHARE (Note 4(r))				
Basic	\$ 6.09	5.46	5.18	4.70
Diluted	\$ 6.08	5.45	5.17	4.69

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011

(NT\$'000, except for per share amounts)

	Retained earnings						Other equity					
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappro-pri ated	Total	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Gains (Losses) on Financial Instruments	Treasury Stock	Minority Interest	Total Shareholders' Equity
BALANCE, JANUARY 1, 2011	\$ 38,009,254	12,432,489	15,332,799	821,741	16,088,941	32,243,481	(5,716)	(10,695)	89,842	(31,889,100)	29,863	50,899,418
Appropriation of the 2010 earnings												
Legal reserve	-	-	1,382,219	-	(1,382,219)	-	-	-	-	-	-	-
Cash dividends – NT\$4.1619 per share	-	-	-	-	(12,439,967)	(12,439,967)	-	-	-	-	-	(12,439,967)
Balance after appropriation	38,009,254	12,432,489	16,715,018	821,741	2,266,755	19,803,514	(5,716)	(10,695)	89,842	(31,889,100)	29,863	38,459,451
Consolidated net income in 2011	-	-	-	-	13,468,763	13,468,763	-	-	-	-	157,417	13,626,180
Capitla reduction	(3,800,926)	-	-	-	-	-	-	-	-	-	-	(3,800,926)
Adjustment of stock held by subsidiaries	-	-	-	-	-	-	-	-	-	811,917	-	811,917
Unrealized gains on financial instruments, net	-	-	-	-	-	-	-	-	21,464	-	-	21,464
Adjustments on change of equity in equity-method investments	-	(43)	-	-	-	-	23,328	(6,080)	-	-	-	17,205
Cash dividends paid to minority interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	(599)	(599)
Control effect of the acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	926,756	926,756
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	2,437	2,437
BALANCE, DECEMBER 31, 2011	34,208,328	12,432,446	16,715,018	821,741	15,735,518	33,272,277	17,612	(16,775)	111,306	(31,077,183)	1,115,874	50,063,885
Appropriation of the 2011 earnings												
Legal reserve	-	-	1,346,876	-	(1,346,876)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(821,741)	821,741	-	-	-	-	-	-	-
Cash dividends – NT\$5.16 per share	-	-	-	-	(13,880,952)	(13,880,952)	-	-	-	-	-	(13,880,952)
Balance after appropriation	34,208,328	12,432,446	18,061,894	-	1,329,431	19,391,325	17,612	(16,775)	111,306	(31,077,183)	1,115,874	36,182,933
Consolidated net income in 2012	-	-	-	-	14,691,605	14,691,605	-	-	-	-	224,677	14,916,282
Unrealized losses on financial instruments, net	-	-	-	-	-	-	-	-	(11,955)	-	-	(11,955)
Adjustments on change of equity in equity-method investments	-	-	-	-	-	-	(15,497)	(7,275)	-	-	-	(22,772)
Cash dividends paid to minority interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	(252,763)	(252,763)
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	(5,905)	(5,905)
BALANCE, DECEMBER 31, 2012	<u>\$ 34,208,328</u>	<u>12,432,446</u>	<u>18,061,894</u>	<u>-</u>	<u>16,021,036</u>	<u>34,082,930</u>	<u>2,115</u>	<u>(24,050)</u>	<u>99,351</u>	<u>(31,077,183)</u>	<u>1,081,883</u>	<u>50,805,820</u>

Note 1: The remuneration to directors of \$37,306 thousand and the bonus to employees of \$373,059 thousand have been expensed and deducted from 2010 earnings.

Note 2: The remuneration to directors of \$36,284 thousand and the bonus to employees of \$362,844 thousand have been expensed and deducted from 2011 earnings.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

(NT\$'000)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 14,916,282	13,626,180
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	8,068,925	7,882,122
Amortization	1,679,114	1,614,705
Loss on disposal and retirement of property and equipment, net	587,918	439,978
Deferred income taxes	271,927	436,627
Bad debts	264,054	141,254
Provision of allowance for loss on inventories	42,532	44,292
Pension cost	(16,464)	(6,616)
Investment loss recognized under equity method	10,502	24,790
Impairment loss	1,948	1,209,970
Amortization of bond issuance costs	63	-
Others	(8,540)	6,242
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	60,186	399,931
Notes receivable	(19,287)	22,075
Accounts receivable, net	(596,481)	(1,102,338)
Accounts receivable – related parties	58,031	8,041
Other receivables	(37,411)	292,559
Long-term capital lease receivables	30,533	27,866
Inventories	(599,750)	(602,199)
Prepayments	(239,722)	463,364
Other current assets	(32,900)	51,892
Notes payable	(280,497)	326,327
Accounts payable	1,650,925	306,343
Accounts payable – related parties	64,377	-
Income taxes payable	191,981	(135,592)
Accrued expenses	150,147	413,098
Other payables	(479,901)	(1,305,821)
Advance receipts	(54,899)	570,814
Other current liabilities	194,001	82,129
Other liabilities	(19,211)	9,516
Net cash provided by operating activities	<u>25,858,383</u>	<u>25,247,549</u>

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED DECEMBER 31, 2012 AND 2011

(NT\$'000)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(7,641,770)	(6,207,386)
Increase in long-term investments accounted for using the equity method	(696,450)	(199,600)
Increase in deferred charges	(479,677)	(352,819)
Increase in pledged time deposits	(357,679)	(3,363)
Increase in computer software costs and other intangible assets	(288,851)	(244,831)
Increase in refundable deposits	(57,323)	(19,517)
Proceeds from disposal of property and equipment	6,679	2,622
Decrease (increase) in other assets	5,005	(8,529)
Proceeds from capital reduction of financial assets carried at cost	3,000	-
Proceeds from capital reduction of available-for-sale financial assets	-	5,435
Acquisition of subsidiaries	-	(8,414,168)
Net cash used in investing activities	<u>(9,507,066)</u>	<u>(15,442,156)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(13,880,940)	(12,439,928)
Proceeds from issuance of bonds	8,995,117	-
(Decrease) increase in short-term borrowings	(5,841,560)	5,797,000
Repayments of bonds	(4,000,000)	-
(Decrease) increase in short-term notes and bills payable	(899,273)	399,541
Cash dividends paid to minority interest	(252,763)	(599)
Increase in guarantee deposits	71,504	41,540
Decrease in long-term borrowings	-	(4,966,667)
Capital reduction	-	(2,988,378)
Increase in long-term borrowings	-	2,666,667
Employee stock option issued by subsidiaries	-	8,300
Net cash used in financing activities	<u>(15,807,915)</u>	<u>(11,482,524)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(13,754)</u>	<u>35,963</u>
ACQUISITION OF CASH AND CASH EQUIVALENT FOR SUBSIDIARIES	<u>-</u>	<u>2,285,830</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	529,648	644,662
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,693,992	6,049,330
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 7,223,640</u></u>	<u><u>6,693,992</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 324,914	369,262
Less interest capitalized	14,267	10,244
Interest paid – excluding interest capitalized	<u><u>\$ 310,647</u></u>	<u><u>359,018</u></u>
Income tax paid	<u><u>\$ 2,980,093</u></u>	<u><u>3,370,526</u></u>
CASH AND NON-CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment	\$ 7,700,772	5,764,963
Decrease in other payables	45,403	530,296
Increase in other liabilities – other	(104,405)	(87,873)
Cash paid for acquisition of property and equipment	<u><u>\$ 7,641,770</u></u>	<u><u>6,207,386</u></u>

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED DECEMBER 31, 2012 AND 2011

(NT\$'000)

Wealth Media Technology Co., Ltd., the subsidiary of Taiwan Mobile Co., Ltd. (the Corporation), acquired 51% of Fubon Multimedia Technology Co., Ltd.'s shares on July 13, 2011. The fair values of the assets and liabilities upon acquisition were as follows:

Cash	\$ 2,285,830
Financial assets at fair value through profit or loss – current	460,117
Receivables	275,190
Inventories	380,956
Prepayments	666,379
Other current assets	183,684
Property and equipment	464,111
Intangible assets	4,923,979
Other assets	<u>114,421</u>
	<u>9,754,667</u>
Payables	2,446,781
Advance receipts	86,463
Other current liabilities	334,397
Long-term liabilities	7,384
Other liabilities	<u>192,132</u>
	<u>3,067,157</u>
Net	6,687,510
Minority interest	<u>(82,837)</u>
	6,604,673
Percentage of equity interest	<u>51%</u>
	3,368,383
Add: Goodwill	<u>4,979,566</u>
Cash paid for acquisition of Fubon Multimedia Technology Co., Ltd.	<u><u>\$ 8,347,949</u></u>

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED DECEMBER 31, 2012 AND 2011

(NT\$'000)

TFN Media Co., Ltd., the Corporation's subsidiary, acquired 45.012% of Taiwan Kuro Times Co., Ltd.'s shares on August 12, 2011. The fair values of the assets and liabilities upon acquisition were as follows:

Cash	\$ 18,584
Receivables	45,597
Prepayments	5,894
Other current assets	1,217
Property and equipment	2,823
Intangible assets	39,922
Other assets	<u>1,528</u>
	<u>115,565</u>
Short-term borrowings	8,000
Payables	66,828
Advance receipts	3,450
Other current liabilities	<u>3,281</u>
	<u>81,559</u>
Net	34,006
Percentage of equity interest	<u>45.012%</u>
	15,307
Add: Goodwill	<u>50,693</u>
Cash paid for acquisition of Taiwan Kuro Times Co., Ltd.	<u><u>\$ 66,000</u></u>



Taiwan Mobile Co., Ltd.

Taiwan Mobile Co., Ltd.
2012 Earnings Distribution Proposal

Unit: NT\$

Item	Amount
Unappropriated retained earnings as of December 31, 2011	1,329,430,930
Net income of 2012	14,691,604,514
Less: Legal reserve (10%)	1,469,160,451
Earnings available for distribution	14,551,874,993
Appropriation:	
Cash dividends (Note 1)	14,526,577,682
Unappropriated retained earnings balance	25,297,311

Note 1 : Dividend per share will be based on the actual outstanding shares on the ex-dividend date.

Note 2 : Cash bonuses to employees will be NT\$396,673,322 and remuneration to directors will be NT\$ 39,667,332.



Articles of Incorporation

- Before and After Amendments for Comparison

Article	Amended	Original	Explanation
31	<u>In the event that the Company, according to the financial report, earns profits in a fiscal year, such profits shall first be applied to pay the applicable taxes, recover losses,</u> set aside Legal Reserve <u>pursuant to laws and regulations, and</u> set aside or reverse a special reserve in accordance with the law or to satisfy the business needs of the Company. Any balance left over shall be applied <u>to</u> the following <u>items</u>: (1) Remuneration of Directors, not exceeding 0.3%; (2) Employee bonuses in the sum of 1% to 3%; (3) <u>The remaining balance and any unappropriated earnings of the previous fiscal years</u> shall be distributed to the shareholders as dividends in accordance with resolutions of the shareholders' meetings. If any of the employee bonuses referred to in Item (2) above shall be paid in the form of bonus shares, the employees entitled to such bonus shares may include employees of subsidiaries of the Company satisfying certain criteria. The criteria and the proportion of such employee bonus shares distributable shall be determined by the Board.	The profits of the Company of each fiscal year shall first be applied to payment of taxes and recovery of prior year losses, secondly 10% of which balance shall then be set aside as Legal Reserve. ~~Thereafter,~~ the Company shall set aside or reverse a special reserve in accordance with the law or to satisfy the business needs of the Company. Any balance left over shall be applied in the following <u>order</u>: (1) Remuneration of Directors, not exceeding 0.3%; (2) Employee bonuses in the sum of 1% to 3%; (3) The balance shall be distributed to the shareholders as dividends in accordance with resolutions of the shareholders' meetings. If any of the employee bonuses referred to in Item (2) above shall be paid in the form of bonus shares, the employees entitled to such bonus shares may include employees of subsidiaries of the Company satisfying certain criteria. The criteria and the proportion of such employee bonus shares distributable shall be determined by the Board.	Clearly define the scope of earnings distribution and the procedures of the earnings distribution calculation.
34	These Articles of Incorporation were agreed to and signed on 30 January 1997. ... The twenty-first amendment was made on 15 June 2011. The twenty-second amendment was made on 22 June 2012. <u>The twenty- third amendment was made on 21 June 2013.</u>	These Articles of Incorporation were agreed to and signed on 30 January 1997. ... The twenty-first amendment was made on 15 June 2011. The twenty-second amendment was made on 22 June 2012.	Add the amendment sequence number, and the date of the latest amendment to the Articles of Incorporation.



Articles of Incorporation

Chapter I General Provisions

- Article 1** The Company shall be incorporated as a company limited by shares, under the Company Act of the Republic of China. The name of the Company shall be 台灣大哥大股份有限公司.
- Article 2** The scope of business of the Company shall be:
1. F401021 Regulated Telecom Radio Frequency Equipments and Materials Import;
 2. G901011 Type I Telecommunications Enterprise;
 3. G902011 Type II Telecommunications Enterprise;
 4. ZZ99999 Any other business (other than those approved by the relevant authorities) not prohibited or restricted by law.
- Article 3** The Company may act as a guarantor where necessary for the purpose of carrying out its business.
- Article 4** The Company shall have its registered head office in Taipei, Taiwan, Republic of China and shall, where necessary and with a resolution to do so by the Board of Directors ("Board"), set up branch offices either within or outside the territory of the Republic of China.
- Article 5** (Deleted)
- Article 6** The Company's aggregate investment may exceed forty percent of its paid-up capital.

Chapter II Capital Stock

- Article 7** The total registered capital stock of the Company shall be Sixty Billion New Taiwan Dollars (NT\$60,000,000,000), divided into Six Billion (6,000,000,000) shares with a par value of Ten New Taiwan Dollars (NT\$10) per share. Any unissued shares shall be issued, where necessary, upon the approval of the Board.
Two hundred and fifty million shares of the above total capital stock of the Company with a par value of Ten New Taiwan Dollars (NT\$10) per share shall be retained for the issuance of employee stock options, which may be issued from time to time upon the approval of the Board.
- Article 7-1** (Deleted)
- Article 7-2** The Company may, upon the approval at a shareholders' meeting which is attended by shareholders holding at least 50% of the issued capital stock, by more than two-thirds of the shareholders attending the meeting, transfer the treasury shares to its employees at a price lower than the average buyback price.
- Article 8** Share certificates of the Company shall be issued only if they bear the names of the

shareholders, be appropriately serial numbered, be signed by or affixed with the personal seals of three or more Directors of the Company, and be duly signed and authenticated by the responsible authority or a share registry endorsed by the regulatory authority. The Company is exempted from issuing any physical share certificates for the shares issued. A physical share certificate may be issued for all the new shares issued at a particular point in time, provided that the share certificate shall be placed in custody or for registration with a centralized depository.

Article 9 Shareholders shall provide their names, addresses, and specimens of their personal seals to the Company for record. The same shall also be provided upon variation of any of the above details. Where any personal seals of the shareholders are lost, the specimens of the personal seals shall only be replaced with new specimens if the shareholders report the loss to the Company.

Article 10 Upon transfer of shares, the transferor and transferee shall complete an application for registration of the transfer and affix their personal seals on the application. The application and the associated share certificates, affixed with the personal seals of the transferor and transferee on the back page, together with other documents evidencing the transfer, shall be submitted to the Company for the purpose of registration of the transfer. The transferee shall not have a right of action against the Company with respect to matters associated with or arising from the transfer if the name of the transferee is not recorded on the share certificates and the name and address of the transferee are not entered onto the register of shareholders of the Company.

Article 11 Where a share certificate is lost, the shareholder shall immediately file an application to report the loss and submit the same to the Company for audit and record. The shareholder shall also apply to the competent court for a judgment declaring the original share certificate invalid, in accordance with the procedures for public announcement of invalidation of a certificate under the Code of Civil Procedures. After obtaining the judgment from the court, the shareholder shall apply to the Company for the share certificate to be reissued, with the original copy of the aforementioned court judgment. Where a share certificate is worn out or defaced and the shareholder wishes to apply for a replacement of the share certificate, the shareholder shall apply to the Company for the replacement by submitting to the Company the original copy of the share certificate with a completed application for replacement of share certificate.

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

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

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

Chapter III Shareholders' Meetings

- Article 15** There are two types of shareholders' meetings, the general meetings and the extraordinary meetings.
- (1) General Meetings – General meetings shall be held within 6 months of the end of each fiscal year, and shall be convened by the Board by no less than 30 days' prior notice to the shareholders.
 - (2) Extraordinary Meetings – Extraordinary meetings shall be convened in accordance with the relevant laws, by no less than 15 days' prior notice to the shareholders.
- Article 16** A shareholder is entitled to appoint a proxy to attend and vote on behalf of the shareholder at a shareholders' meeting by completing and submitting to the Company a form prescribed by the Company stating the scope of authorization.
- Article 17** The Chairman or, in his absence, the Vice Chairman, shall preside as the chairman of the shareholders' meetings of the Company. If neither the Chairman nor the Vice Chairman shall be present at the meetings, the Chairman shall designate one of the Directors as the chairman, failing which, the Directors present at the meetings shall elect the chairman from amongst themselves.
- Article 18** Except under the circumstances set forth in Article 179 of the Company Act, shareholders of the Company shall be entitled to one vote for each share held at the shareholders' meeting.
- Article 18-1** Shareholders may exercise their voting rights in written or electronic forms at the shareholders' meetings.
- Article 19** Unless otherwise provided by the Company Act, all resolutions of a shareholders meeting of the Company shall be passed, at a meeting attended by shareholders holding at least 50% of the issued capital stock, by more than 50% of the shareholders attending the meeting.
- Article 20** Resolutions at a shareholders' meeting shall be recorded in a meeting minute signed by or affixed with the personal seal of the chairman. The meeting minute shall be distributed to all the shareholders of the Company by public announcement within 20 days after the shareholders' meeting. The meeting minute shall contain information such as the time and venue of the meeting, name of the chairman of the meeting, manner in which resolutions are passed, and a summary and outcome of all proceedings of the meeting.

Chapter IV Directors

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

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

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

two thirds of all the Directors.

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

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

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

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

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

Article 25 Unless otherwise provided for in the Company Act, all resolutions of the Board shall be passed by a simple majority of the Directors present at the Board meetings attended by at least 50% of all the Directors. If a Director is unable to attend the meeting, he shall be entitled to authorize another Director to represent him at the meeting by executing a power of attorney stating therein the scope of authorization with respect to each matter proposed to be dealt with at the meeting, however, a Director attending the meeting shall not be authorized to represent more than one absent Directors at the meeting. If any Director attends the Board meeting by video conference, it is deemed that such Director has participated in person.

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

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

Incorporation.

Article 27-1 (Deleted)

Article 27-2 The Board is authorized to decide the Chairman and Vice Chairman's remunerations which should not be higher than the upper limit on the remunerations payable to the President of the Company.

Article 27-3 The Board is authorized to decide the remuneration for 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 31 In the event that the Company, according to the financial report, earns profits in a fiscal year, such profits shall first be applied to pay the applicable taxes, recover losses, set aside Legal Reserve pursuant to laws and regulations, and set aside or reverse special reserve in accordance with the law or to satisfy the business needs of the Company. Any balance left over shall be applied to the following items:

- (1) Remuneration of Directors, not exceeding 0.3%;
- (2) Employee bonuses in the sum of 1% to 3%;
- (3) The remaining balance and any unappropriated earnings of the previous fiscal years shall be distributed to the shareholders as dividends in accordance with resolutions of the shareholders' meetings.

If any of the employee bonuses referred to in Item (2) above shall be paid in the form of bonus shares, the employees entitled to such bonus shares may include employees of subsidiaries of the Company satisfying certain criteria. The criteria and the proportion of such employee bonus shares distributable shall be determined by the

Board.

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 profit, 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 profit 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.



**Rules and Procedures of Lending and Making
Endorsements/Guarantees (the "operational procedures")
Before and After Amendments for Comparison**

Article	Amended	Original	Explanation
1	The operational procedures are promulgated pursuant to Article 36-1 of the Securities and Exchange Act ("the Act"), and <u>"Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" (the "Regulation")</u> .	The operational procedures are promulgated pursuant to Article 36-1 of the Securities and Exchange Act ("the Act"), and <u>No. 0910161919 Order dated 18 December 2002 issued by Securities and Futures Commission (SFC), Ministry of Finance.</u>	Wording modification
2	Taiwan Mobile (the "Company") shall comply with the operational procedures when making loans to and endorsements/guarantees for others; provided that where another act or <u>regulation</u> provides otherwise, the provisions of such act <u>or regulation</u> shall prevail.	Taiwan Mobile (the "Company") shall comply with the operational procedures when making loans to and endorsements/guarantees for others; provided that where another <u>act</u> provides otherwise, the provisions of such <u>act</u> shall prevail.	Modification in compliance with the Regulation
5	The Company may make endorsements/guarantees for the following companies: sub-paragraph 1~2: omitted Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, <u>or where the companies in the same industry provide</u>	The Company may make endorsements/guarantees for the following companies: sub-paragraph 1~2: omitted Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements/guarantees may be made free	Modification in compliance with the Regulation

	<u>among themselves joint and several guarantees for a performance guarantee of a sales contract for pre-construction houses pursuant to the Consumer Protection Act for each other</u>, such endorsements/guarantees may be made free of the restriction of the preceding two paragraphs. Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.	of the restriction of the preceding two paragraphs. Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.	
6	"Subsidiary" and "parent company" as referred to in the operational procedures shall be as determined under the <u>Regulations Governing the Preparation of Financial Reports by Securities Issuers</u>. <u>"net worth" in the operational procedures means the equity of the balance sheet attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers</u>.	"Subsidiary" and "parent company" as referred to in the operational procedures shall be as determined under the regulations <u>in Statement No. 5 and Statement No.7 of Financial Accounting Standards, issued by Accounting Research and Development Foundation</u>.	Modification in compliance with the execution of International Financial Reporting Standards
7	The term "announce and report" as used in the operational procedures means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC). <u>"Date of occurrence" in these Regulations means the date of contract signing, date of payment, date of board of directors resolutions, or other date that can confirm the counterparty and total amount of the transaction, whichever date is earlier</u>.	The term "announce and report" as used in the operational procedures means the process of entering data to the information reporting website designated by the <u>Executive Yuan's</u> Financial Supervisory Commission (FSC).	Modification in compliance with the governing authority reorganization, and add the definition of date of occurrence
12	The operational procedures of the Company are as follows: sub-paragraph 1~11: omitted	The operational procedures of the Company are as follows: sub-paragraph 1~11: omitted	Clearly indicate the calculation of paid-in capital for a subsidiary

	<u>In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under subparagraph 11 of the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be applied.</u>		with shares having no par value or a par value other than NT\$10
22	The Company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing <u>immediately</u> from the date of occurrence: sub-paragraph 1~3: omitted Paragraph II: omitted	The Company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing from the date of occurrence: sub-paragraph 1~3: omitted Paragraph II: omitted	Clearly identify the obligation commencing date
23	The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for the implementation of necessary auditing procedures.	The Company shall, <u>according to the general accounting standards</u>, evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for the implementation of necessary auditing procedures.	Modification in compliance with the execution of International Financial Reporting Standards.
25	The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing <u>immediately</u> from the date of occurrence: sub-paragraph 1~2: omitted 3. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term <u>nature</u>, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement. sub-paragraph 4: omitted Paragraph II: omitted	The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing from the date of occurrence: sub-paragraph 1~2: omitted 3. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, <u>long-term investment</u>, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement. sub-paragraph 4: omitted Paragraph II: omitted	Clearly identify the obligation commencing date and modification in compliance with the execution of International Financial Reporting Standards

26	The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for the implementation of necessary audit procedures.	The Company shall, <u>according to Statement No.9 of Financial Accounting Standards</u> , evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for the implementation of necessary audit procedures.	Modification in compliance with the execution of International Financial Reporting Standards
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Rules and Procedures of Lending and Making Endorsements/Guarantees
(the "operational procedures")

Approved on June 25, 2003

First amendment on June 15, 2006

Second amendment on June 15, 2007

Third amendment on June 19, 2009

Fourth amendment on June 18, 2010

Fifth amendment on June 21, 2013

Chapter I General Provisions

- Article 1** The operational procedures are promulgated pursuant to Article 36-1 of the Securities and Exchange Act ("the Act") and "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" ("the Regulation").
- Article 2** The Company shall comply with the operational procedures when making loans to and endorsements/guarantees for others; provided that where another act or regulation provides otherwise, the provisions of such act or regulation shall prevail.
- Article 3** Under Article 15 of the Company Act, the Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:
1. Where a company or a business entity having a business relationship with the Company and requests a loan arrangement; or
 2. Where a company or a business entity having a necessary and short-term financing facility with the Company.
- The term "short-term" as used in the preceding paragraph means one year, or where the operating cycle exceeds one year, one operating cycle.
- Article 4** The term "endorsements/guarantees" as used in the operational procedures refers to the following:
1. Financing endorsements/guarantees, including:
 - A. Bill discount financing.
 - B. Endorsement or guarantee made to meet the financing needs of another company.
 - C. Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.
 2. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the Company itself or another company with respect to customs duty matters.
 3. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.
- Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the operational procedures.

Article 5 The Company may make endorsements/guarantees for the following companies:

1. A company which has a business relationship with the Company.
2. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.

Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several guarantees for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/guarantees may be made free of the restriction of the preceding two paragraphs.

Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.

Article 6 "Subsidiary" and "parent company" as referred to in the operational procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

"net worth" in the operational procedures means the equity of the balance sheet attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 7 The term "announce and report" as used in the operational procedures means the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).

"Date of occurrence" in the operational procedures means the date of contract signing, date of payment, date of boards of directors resolutions, or other date that can confirm the counterparty and total amount of the transaction, whichever date is earlier.

Chapter II Formulation of Operation Procedures

Section I Loans of Funds to Others

Article 8 The operational procedures formulated by the Company shall be approved by the Board, then shall be sent to the Audit Committee and submitted for approval by the shareholders' meeting; where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion to the Audit Committee and for discussion by the shareholders' meeting. The same shall apply to any amendments to the operational procedures.

If the Company has independent directors, when it submits the operational procedures for discussion by the board of directors under the preceding paragraph, the board of directors shall take into full consideration each independent director's opinion; The opinions of these independent directors specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

Article 9 The Company's rules and procedures of lending funds are as follows:

1. Entities to which the Company may loan funds: pursuant to Article 3 of the operational procedures.
2. Evaluation standards for loaning funds to others:
 - A. Where funds are loaned for reasons of business dealings: the maximum amount to a single borrower shall be limited to the total amount of trading between the two companies. The “total amount of trading between the two companies” means the purchase amount or sell amount, whichever is higher.
 - B. Where short-term financing is needed, the reasons and necessity of loan shall be limited to the following circumstances:
 - a. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares, and has the requirement of short-term loan; or
 - b. The loan has been approved by the Company’s board of directors.
3. The aggregate amount of loans and the maximum amount permitted to a single borrower:
 - A. The aggregate amount of loans by the Company, including the reason of business dealing and short-term loan, shall not exceed 40 percent of the Company's net worth.
 - B. The maximum amount permitted to business dealing and to a single borrower:
 - a. Where funds are loaned for reasons of business dealings: the aggregate amount of loans shall not exceed 40 percent of the Company's net worth. The loan to a single borrower shall be limited to the total amount of trading between the two companies.
 - b. Where short-term financing is needed: the aggregate amount of loans shall not exceed 40 percent of the Company's net worth. The loan to a single borrower shall be the lowest amount of the following items:
 - (i) 40 percent of the Company's net worth;
 - (ii) the amount that the Company invested in this borrower company or business entity; or
 - (iii) the amount that equals to the proportion of shares invested by the Company to the borrower company or business entity, multiples the total loan amount of the borrower company or business entity. The total loan amount means the total loan amount, including the long-term, short-term loans mentioned in the latest financial statement of the borrower company, plus the loan lent by the Company to the borrower company or business entity.

The loan to a single borrower shall be limited to 40% of the Company’s net worth and shall not be applied to the item (ii) and (iii) when a single borrower is a company in which the Company directly and indirectly holds 100% of voting shares.
4. Duration of loans and calculation of interest:
 - A. The duration of each loan shall not exceed the maximum of one year or one business year (whichever is longer) from the lending date.
 - B. Calculation of interest: Pursuant to the lending agreement approved by the board of directors, if the lending agreement does not mention the calculation of interest, the interest shall be calculated every six months.
5. Procedures for handling loans of funds:

The borrower shall provide an application form to illustrate the amount of the loan, lending period, purpose, security/collateral, and other requirements that the Company has requested. The borrower shall provide basic information and financial information to the Company’s financial department for evaluation,

- and the result of evaluation will be submitted for the board of directors' approval.
6. Detailed review procedures, including:
 - A. The necessity of and reasonableness of extending loans to others.
 - B. Borrower credit status and risk assessment.
 - C. Impact on the Company's business operations, financial condition, and shareholders' equity.
 - D. Whether security/collateral must be obtained and appraisal of the value thereof.
 7. Announcement and reporting procedures: pursuant to the Section I of the Chapter IV in the operational procedures.
 8. Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights:
 - A. the Company shall be attentive to the borrower's and guarantor's financial, business and credit situations. If there is any security/collateral provided, the Company will inspect whether the value of the security/collateral is changed.
 - B. If the borrower fails to return the loan after receiving a notice from the Company requesting loan repayment, the Company will directly file with the courts for a ruling. In the event that there is any security/collateral or promissory note provided, such security/collateral or promissory note will be submitted and disposed.
 9. If any violation of the Regulation or the operational procedures by the relevant person in the Company occurs, it shall be resolved by the Company's internal regulations.
 10. Procedures for controlling and managing loans of funds to others by subsidiaries: The internal auditor of the Company will periodically review the loans of funds to others by the subsidiaries, audit whether the subsidiaries are complying with the operational procedure and make an audit report.

Article 10 Where a subsidiary of the Company intends to make loans to others, the Company shall instruct it to formulate its own procedures for loaning funds to others in compliance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", and it shall comply with the procedures when loaning funds.

Section II Endorsements/Guarantees for Others

Article 11 The operational procedures, after approval by the board of directors, will be submitted to the Audit Committee and for approval by the shareholders' meeting. Where there any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to Audit Committee and for discussion by the shareholders' meeting. The same shall apply to any amendments to the operational procedures.

Where the Company has established the position of independent director, when it submits the operational procedures 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 independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.

Article 12 The Company's operational procedures for endorsements/guarantees are as follows:

1. Entities for which the Company may make endorsements/guarantees: Pursuant to Article 5 of the operational procedures.
2. Where an endorsement/guarantee is made due to needs arising from business dealings, evaluation standards shall be specified for determining whether the amount of an endorsement/guarantee is commensurate with the total amount of trading between the two companies and the amount of an endorsement/guarantee shall be limited to the total amount of trading between the two companies.
3. The aggregate amount the Company is permitted to make in endorsements/guarantees and the maximum amount of endorsements/guarantees for any single entity:
 - A. The aggregate amount of endorsements/guarantees shall not exceed 100 percent of the Company's net worth.
 - B. The aggregate amount of endorsements/guarantees and the maximum amount permitted to a single entity:
 - a. Where an endorsement/guarantee is made due to needs arising from business dealings: the aggregate amount of endorsements/guarantees shall not exceed 100 percent of the Company's net worth. The endorsements/guarantees to a single entity shall be limited to the total amount of trading between the two companies.
 - b. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares: the aggregate amount of endorsements/guarantees shall not exceed 100 percent of the Company's net worth. The endorsements/guarantees to a single entity shall be limited to the total amount of investment by the Company to such single entity. However, for a company in which the Company directly and indirectly holds 100 percent of the voting shares, the amount of endorsements/guarantees to a single entity shall be limited to 200 percent of the total amount invested by the Company to the single entity.
 - C. The aggregate amount of endorsements/guarantees and the maximum amount permitted to a single entity by the Company and its subsidiaries:
 - a. Where an endorsement/guarantee is made due to needs arising from business dealings: the aggregate amount of endorsements/guarantees shall not exceed 100 percent of the Company's net worth. The endorsements/guarantees to a single entity shall be limited to the total amount of trading between the single entity and the Company and its subsidiaries.
 - b. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares: the aggregate amount of endorsements/guarantees shall not exceed 100 percent of the Company's net worth. The endorsements/guarantees to a single entity shall be limited to the total amount of investment by the Company and the subsidiaries to such single entity. However, for a company in which the Company or its subsidiary directly and indirectly holds 100 percent of the voting shares, the amount of endorsements/guarantees to a single entity shall be limited to 200 percent of the total amount invested by the Company and its subsidiary.

In the event that the aggregate amount of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent of the Company's net worth or more, an explanation of the necessity and reasonableness thereof shall be given at the shareholders meeting.
4. Procedures for making endorsements/guarantees: the entity for which the

endorsement/guarantee is made shall provide an application form of endorsement/guarantee to the Company, and the Company's personnel will evaluate and decide the application according to the review procedures and authorized level.

5. Detailed review procedures, including:
 - A. The necessity of and reasonableness of endorsements/guarantees.
 - B. Credit status and risk assessment of the entity for which the endorsement/guarantee is made.
 - C. The impact on the Company's business operations, financial condition, and shareholders' equity.
 - D. Whether security/collateral must be obtained and appraisal of the value thereof.
6. Procedures for controlling and managing endorsements/guarantees by subsidiaries:

The internal auditor of the Company will periodically review the endorsements/guarantees to others by the subsidiaries, audit whether the subsidiaries are complying with the operational procedures and make an audit report.
7. Procedures for use and custody of corporate chops: the Company shall use the corporate chop which is registered with the Ministry of Economic Affairs as the exclusive chop of endorsements/guarantees. This exclusive corporate chop shall be kept by a specific person who is approved by the board of directors, and every sealing or usage of the chop shall comply with the procedures indicated by the Company.

When providing the endorsement/guarantee to foreign company, the endorsement/guarantee letter executed by the Company should be signed by the person delegated by the board of directors.
8. Hierarchy of decision-making authority and delegation thereof: any external endorsements/guarantees shall be approved by the board of directors.
9. Announcing and reporting procedures: Pursuant to the clauses in Section II, Chapter IV.
10. If any violation of the Regulation or the operational procedures by the relevant person in the Company occurs, it shall be resolved by the Company's internal regulations.
11. For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, relevant follow-up monitoring and control measures shall be expressly prescribed.

In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under subparagraph 11 of the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be applied.

Article 13 Where a subsidiary of the Company intends to make endorsements/guarantees for others, the Company shall instruct it to formulate its own procedures for endorsements/guarantees in compliance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", and it shall comply with the procedures when making endorsements/guarantees.

Chapter III Case Evaluation

Section I Loans of Funds to Others

Article 14 Before making a loan of funds to others, the Company shall carefully evaluate whether the loan is in compliance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and the operational procedures. The Company may loan funds to others only after the evaluation results under this paragraph and Article 9, paragraph 6 have been submitted to and resolved upon by the board of directors. The Company shall not empower any other person to make such decision.

Loans of funds between the Company and its subsidiaries, or loans of funds between the subsidiaries, shall be submitted for a resolution by the board of directors pursuant to the preceding paragraph, and the Chairman may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the board of directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.

The "certain monetary limit" mentioned in the preceding paragraph shall be in compliance with the limitation on loans that the Company or any of its subsidiaries to any single entity shall not provide loan of funds exceed 10% of the net worth in its latest financial statements of the lending company.

Where the Company has independent directors, when it loans funds to others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

Article 15 The Company shall prepare a memorandum book for its fund-loaning activities and truthfully record the following information: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated under paragraph 1 of the preceding Article.

The Company's internal auditors shall audit the operational procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Audit Committee in writing of any material violation found.

Article 16 If, as a result of a change in circumstances, an entity for which an loan of fund is made does not meet the requirements of these operational procedures or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.

Section II Endorsements/Guarantees for Others

Article 17 Before making an endorsement/guarantee for others, the Company shall carefully evaluate whether the endorsement/guarantee is in compliance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and the operational procedures. The Company may make an endorsement/guarantee only after the evaluation results under this paragraph and Article 12, paragraph 5 have been submitted to and resolved upon by the board of directors.

Where the Company has independent directors, when it makes

endorsements/guarantees for others, it shall take into full consideration each independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

Article 18 The Company shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of approval by the board of directors, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under paragraph 1 of the preceding Article.

The Company's internal auditors shall audit the operational procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the Audit Committee in writing of any material violation found.

Article 19 Where the Company needs to exceed the limits set out in the operational procedures to satisfy its business requirements, and where the conditions set out in the operational procedures are complied with, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement/guarantee. It shall also amend the operational procedures accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit.

Where the Company has established the position of independent director, when it makes endorsements/guarantees for others, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.

Article 20 If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made no longer meets the requirements of the operational procedures, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.

Chapter IV Information Disclosure

Section I Loans of Funds to Others

Article 21 The Company shall announce and report the previous month's loan balances of itself and its subsidiaries by the 10th day of each month.

Article 22 The Company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:

1. The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.

2. The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.
3. The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not the listed company in the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.

Article 23 The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for the implementation of necessary auditing procedures.

Section II Endorsements/Guarantees for Others

Article 24 The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.

Article 25 The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:

1. The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
2. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
3. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.
4. The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not the listed company in the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.

Article 26 The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for the implementation of necessary audit procedures.

Chapter V Supplemental Provisions

Article 27 The operational procedures shall be enforced after approved by the shareholders' meeting; the amendment of the operational procedures also shall be approved by the shareholders' meeting.



Election Rules of the Directors

- Before and After Amendments for Comparison

Article	Amended	Original	Explanation
Name	Election Rules of the Directors	Election Rules of the Directors <u>and Supervisor</u>	Delete supervisors
1	These Regulations are duly enacted in accordance with Article 21 of the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” in an effort to incorporate a fair, just, and open procedure for the election of directors.	These Regulations are duly enacted in accordance with Article 21 <u>and Article 43</u> of the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” in an effort to incorporate a fair, just, and open procedure for the election of directors <u>and supervisors</u> .	Delete supervisors
2	The election of the Company’s directors, unless otherwise provided in the applicable laws, regulations, or the Articles of Incorporation, shall be conducted in accordance with these Regulations.	The election of the Company’s directors <u>and supervisors</u> , unless otherwise provided in the applicable laws, regulations, or the Articles of Incorporation, shall be conducted in accordance with these Regulations.	Delete supervisors
4	(Delete)	<u>The supervisors shall have the following abilities:</u> <u>1. integrity</u> <u>2. adequate judgment</u> <u>3. professional knowledge</u> <u>4. thorough experience</u> <u>5. understanding of financial reports</u> <u>Except for the above abilities, at least one of the supervisors shall be an accounting or finance professional.</u>	Clause Delete
6	Two years before being elected or during the term of office, an independent director of the Company may not have any of the following: sub-paragraph 1~3: omitted 4. A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the	Two years before being elected or during the term of office, an independent director of the Company may not have any of the following: sub-paragraph 1~3: omitted 4. A spouse, relative within the second degree of kinship, or lineal relative within the <u>fifth</u> degree of kinship, of any of the persons in the preceding three subparagraphs.	Amendment in the independence criteria for the independent directors according to the applicable laws and regulations.

Article	Amended	Original	Explanation
	persons in the preceding three subparagraphs. The following paragraph: omitted	The following paragraph: omitted	
7	The election of the directors of the Company is subject to the provisions of Article 192-1 of the Company Act in that a candidate nomination system shall be adopted, that such system shall be expressly stated in the articles of incorporation of the Company, and that shareholders shall elect directors from among those listed in the slate of director candidates. The Company shall, prior to the book closure date before the convening of the shareholders' meeting, publish a notice specifying a period for receiving nominations of the director candidates, the number of directors to be elected, the place for receiving such nominations, and other necessary matters; the period for receiving nominations shall be no less than 10 days. The Company may present a slate of director candidates nominated by the methods set out below, and, upon evaluation by the board of directors that all candidates so nominated are qualified director candidates, submit it to the shareholders' meeting for elections: 1. A shareholder holding one percent or more of the total number of issued shares may present a slate of director candidates in writing to the Company; the number of nominees may not exceed the number of directors to be elected. 2. The board of directors presents a slate of director candidates; the number of nominees may not exceed the number of directors to be elected. 3. Other methods designated by	The election of the <u>independent</u> directors of the Company is subject to the provisions of Article 192-1 of the Company Act in that a candidate nomination system shall be adopted, that such system shall be expressly stated in the articles of incorporation of the Company, and that shareholders shall elect <u>independent</u> directors from among those listed in the slate of <u>independent</u> director candidates. The Company shall, prior to the book closure date before the convening of the shareholders' meeting, publish a notice specifying a period for receiving nominations of the <u>independent</u> director candidates, the number of <u>independent</u> directors to be elected, the place for receiving such nominations, and other necessary matters; the period for receiving nominations shall be no less than 10 days. The Company may present a slate of <u>independent</u> director candidates nominated by the methods set out below, and, upon evaluation by the board of directors that all candidates so nominated are qualified <u>independent</u> director candidates, submit it to the shareholders' meeting for elections: 1. A shareholder holding one percent or more of the total number of issued shares may present a slate of <u>independent</u> director candidates in writing to the Company; the number of nominees may not exceed the number of <u>independent</u> directors to be elected. 2. The board of directors presents a slate of <u>independent</u> director candidates; the number of nominees may not exceed the number of <u>independent</u> directors to be elected.	The election of directors adopts the candidate nomination system.

Article	Amended	Original	Explanation
	the authority. When providing a recommended slate of director candidates under the preceding paragraph, a shareholder or the board of directors shall include in the documentation attached thereto each nominee's name, educational background, working experience, a written undertaking indicating the nominee's consent to serve as a director if elected as such, a written statement that none of the circumstances in Article 30 of the Company Act exists, and other relevant documentary proof. When calling a shareholders' meeting for the purpose of director elections, the board of directors, or other person having the authority to call a shareholders' meeting, shall review the qualifications of each director nominee; except under any of the following circumstances, all qualified nominees shall be included in the slate of director candidates: 1. the nominating shareholder submits the nomination at a time not within the published period for receiving nominations. 2. the shareholding of the nominating shareholder holds less than one percent, at the time of book closure, of the Company under Article 165, paragraph 2 or 3 of the Company Act. 3. the number of nominees exceeds the number of directors to be elected. 4. the relevant documentary proof required under the preceding paragraph is not attached. The procedure of reviewing the director nominees shall be recorded and retained for at least one year. However, if any shareholder files a lawsuit	3. Other methods designated by the authority. When providing a recommended slate of <u>independent</u> director candidates under the preceding paragraph, a shareholder or the board of directors shall include in the documentation attached thereto each nominee's name, educational background, working experience, a written undertaking indicating the nominee's consent to serve as an <u>independent</u> director if elected as such, a written statement that none of the circumstances in Article 30 of the Company Act exists, and other relevant documentary proof. When calling a shareholders' meeting for the purpose of <u>independent</u> director elections, the board of directors, or other person having the authority to call a shareholders' meeting, shall review the qualifications of each <u>independent</u> director nominee; except under any of the following circumstances, all qualified nominees shall be included in the slate of <u>independent</u> director candidates: 1. the nominating shareholder submits the nomination at a time not within the published period for receiving nominations. 2. the shareholding of the nominating shareholder holds less than one percent, at the time of book closure, of the Company under Article 165, paragraph 2 or 3 of the Company Act. 3. the number of nominees exceeds the number of <u>independent</u> directors to be elected. 4. the relevant documentary proof required under the preceding paragraph is not attached. The procedure of reviewing the <u>independent</u> director nominees shall be recorded and retained for at least one year. However, if any	

Article	Amended	Original	Explanation
	regarding the election of the directors, the record shall be retained until the lawsuit ends. The Company shall, forty days prior to the shareholders' meeting date or twenty-five days prior to the extra-ordinary shareholders' meeting date, announce publicly the recommended slate of director candidates and each nominee's name, educational background, working experience, and the amount of shares each nominee owns. The Company shall also inform the result of review to the nominating shareholder and, for the nominee(s) not included in the slate of directors, the Company shall provide the reasons.	shareholder files a lawsuit regarding the election of the <u>independent</u> directors, the record shall be retained until the lawsuit ends. The Company shall, forty days prior to the shareholders' meeting date or twenty-five days prior to the extra-ordinary shareholders' meeting date, announce publicly the recommended slate of <u>independent</u> director candidates and each nominee's name, educational background, working experience, and the amount of shares each nominee owns. The Company shall also inform the result of review to the nominating shareholder and, for the nominee(s) not included in the slate of <u>independent</u> directors, the Company shall provide the reasons.	
8	The Company's directors shall be elected by means of single-named cumulative ballots method. Each share is entitled to have votes equivalent to the number of directors to be elected, and the number of votes may be used to elect one candidate or be allocated among several candidates.	The Company's directors <u>and supervisors</u> shall be elected by means of single-named cumulative ballots method. Each share is entitled to have votes equivalent to the number of directors <u>and supervisors</u> to be elected, and the number of votes may be used to elect one candidate or be allocated among several candidates.	Delete supervisors
9	According to the seats set forth in the Articles of Incorporation, the voting rights for the independent directors or non-independent directors shall be counted separately. In the election of the directors, the candidates who acquired more votes should win the seats; and, if two or more persons receive the same number of votes, resulting in the total number of persons to be elected exceeding the number specified in the Company's Articles of Incorporation, those persons who have received the same number of votes shall draw straws to decide who is elected. If any person who has received the same number of votes as others, but is absent at the meeting, the chairman shall draw the straw on the absent person's behalf.	According to the seats set forth in the Articles of Incorporation, the voting rights for the independent directors or non-independent directors shall be counted separately. In the election of the directors <u>and supervisors</u> , the candidates who acquired more votes should win the seats; and, if two or more persons receive the same number of votes, resulting in total number of persons to be elected exceeding the number specified in the Company's Articles of Incorporation, those persons who have received the same number of votes shall draw straws to decide who is elected. If any person who has received the same number of votes as others, but is absent at the meeting, the chairman shall draw the straw on the absent person's behalf. <u>If the candidate who has</u>	Delete supervisors and the content relevant to supervisors.

Article	Amended	Original	Explanation
		<u>been elected as a director and supervisor at the same time, the candidate shall decide what position that he/she intends to be, the absent position shall be fulfilled by the candidate who acquired the second highest votes in the same election.</u>	
11	The Board of Directors shall prepare the election ballots which equal to the number of directors to be elected with the number of voting rights. The ballots shall be given to the shareholders present at the shareholders' meeting. In the election of directors, the names of the voters may be represented by their shareholder number.	The Board of Directors shall prepare the election ballots which equal to the number of directors <u>and supervisors</u> to be elected with the number of voting rights. The ballots shall be given to the shareholders present at the shareholders' meeting. In the election of directors <u>and supervisors</u> , the names of the voters may be represented by their shareholder number.	Delete supervisors
14	The ballots should be calculated during the meeting right after the voting and the results (the list of new directors) of the election should be announced by the chairman at the meeting.	The ballots should be calculated during the meeting right after the voting and the results (the list of new directors <u>and supervisors</u>) of the election should be announced by the chairman at the meeting.	Delete supervisors
15	The Company's Board of Directors shall issue notifications to the directors elected.	The Company's Board of Directors shall issue notifications to the directors <u>and supervisors</u> elected.	Delete supervisors



Election Rules of the Directors

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

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

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

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

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

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

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

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

The Company shall, prior to the book closure date before the convening of the

shareholders' meeting, publish a notice specifying a period for receiving nominations of the director candidates, the number of directors to be elected, the place for receiving such nominations, and other necessary matters; the period for receiving nominations shall be no less than 10 days.

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

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

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

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

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

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

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

Article 8 The Company's directors shall be elected by means of single-named cumulative ballots

method. Each share is entitled to have votes equivalent to the number of directors to be elected, and the number of votes may be used to elect one candidate or be allocated among several candidates.

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

- Article 14 The ballots should be calculated during the meeting right after the voting and the results (the list of new directors) of the election should be announced by the chairman at the meeting.
- Article 15 The Company's Board of Directors shall issue notifications to the directors elected.
- Article 16 These Regulations shall be effective from the date they are approved in the shareholders' meeting. The same applies to amendments.

APPENDIXES



Taiwan Mobile Co., Ltd.

Shares Owned by Directors

As of April 23, 2013

Title	Name	Current shareholding	
		Shares	%
Chairman	Fu-Chi Venture Corp. Representative: Richard Tsai	5,748,763	0.17%
Vice-Chairman	Fu-Chi Venture Corp. Representative: Daniel Tsai	5,748,763	0.17%
Director	Fu-Chi Venture Corp. Representative: Victor Kung	5,748,763	0.17%
Director	TCC Investment Co., Ltd. Representative: Cliff Lai	200,496,761	5.86%
Director	TCC Investment Co., Ltd. Representative: Vivien Hsu	200,496,761	5.86%
Independent Director	Jack J.T. Huang	0	0.00%
Independent Director	Tsung-Ming Chung	0	0.00%
Independent Director	Wen-Li Yeh	0	0.00%
Independent Director	J. Carl Hsu	0	0.00%
The total shares owned by the directors are 206,245,524 shares, or 6.03% of the total issued shares.			

Note:

1. According to Article 26 of the Security and Exchange Act, total shares owned by all directors shall not be less than 2.4% of total shares issued, or 82,099,987 shares.
2. As the Company's supervisors were replaced by the Audit Committee, the minimum holding requirement of supervisors no longer applies.



Taiwan Mobile Co., Ltd.

Proposal on Employee Bonuses and Compensation to Directors

**The proposal for the 2012 earnings distribution has been resolved by the BOD as follows
pending AGM approval**

1. Proposed employee cash bonus: NT\$396,673,322

Proposed remuneration to directors: NT\$39,667,332

2. The employee cash bonuses and remuneration to directors were booked as expenses in 2012, and the amounts proposed by the BOD equals to the amount expensed.

Impact of Stock Dividend Distribution on Business Performance & EPS

Not applicable. The BOD proposes to distribute only cash dividend this year.



Articles of Incorporation

Last amended on June 22, 2012

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:
5. F401021 Regulated Telecom Radio Frequency Equipments and Materials Import;
 6. G901011 Type I Telecommunications Enterprise;
 7. G902011 Type II Telecommunications Enterprise;
 8. 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** Shareholder 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.

- (3) 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.
- (4) Extraordinary Meetings – Extraordinary meetings shall be convened in accordance with the relevant laws, by no less than 15 days' prior notice to the shareholders.

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

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

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

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

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

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

Chapter IV Directors

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

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

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

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

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

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

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

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

Article 25 Unless otherwise provided for in the Company Act, all resolutions of the Board shall be passed by a simple majority of the Directors present at the Board meetings attended by at least 50% of all the Directors. If a Director is unable to attend the meeting, he shall be entitled to authorize another Director to represent him at the meeting by executing a power of attorney stating therein the scope of authorization with respect to each matter proposed to be dealt with at the meeting, however, a Director attending the meeting shall not be authorized to represent more than one absent Directors at the meeting. If any Director attends the Board meeting by video conference, it is deemed that such Director has participated in person.

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

resolutions are passed, and a summary and outcome of all proceedings of the meeting.

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

Article 27-1 (Deleted)

Article 27-2 The Board is authorized to decide the Chairman and Vice Chairman's remunerations which should not be higher than the upper limit on the remunerations payable to the President of the Company.

Article 27-3 The Board is authorized to decide the remuneration for 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:

- (4) Business Report
- (5) Financial Statements
- (6) Proposal for distribution of earnings to shareholders or recovery of prior year losses.

Article 31 The profits of the Company of each fiscal year shall first be applied to payment of taxes and recovery of prior year losses, secondly 10% of which balance shall then be set aside as Legal Reserve. Thereafter, the Company shall set aside or reverse special reserve in accordance with the law or to satisfy the business needs of the Company. Any balance left over shall be applied in the following order:

- (1) Remuneration of Directors, not exceeding 0.3%;
- (2) Employee bonuses in the sum of 1% to 3%;
- (3) The balance shall be distributed to the shareholders as dividends in accordance with resolutions of the shareholders' meetings.

If any of the employee bonuses referred to in Item (2) above shall be paid in the form of bonus shares, the employees entitled to such bonus shares may include employees of subsidiaries of the Company satisfying certain criteria. The criteria and the proportion of such employee bonus shares distributable shall be determined by the Board.

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 profit, 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 profit 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.



Taiwan Mobile Co., Ltd.

Rules and Procedures Governing Shareholders' Meeting

Officially resolved in the Founders Meeting held on September 30, 1997
First amendment was approved by the Shareholders' meeting on April 26, 2002
Second amendment was approved by the Shareholders' meeting on June 15, 2006

Article 1:

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

Article 2:

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

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

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

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

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

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

Article 2-1:

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

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

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

Article 3:

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

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

Article 4:

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

Article 5:

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

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

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

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

Article 6:

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

Article 7:

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

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

Article 8:

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

Article 9:

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

Article 10:

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

Article 11:

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

Article 12:

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

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

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

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

Article 13:

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

Meeting minutes.

Article 14:

The chairman may direct disciplinary (or security) personnel to assist in maintaining the order of the Meeting. Such disciplinary (or security) personnel shall wear badges marked “Disciplinary Personnel” for identification purpose. 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.