



**Taiwan Mobile Co., Ltd.**

## **2014 Annual General Shareholders' Meeting**

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### **Meeting Minutes (Translation)**

*Notice 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.*

# 2014 AGM Meeting Minutes

- **Time:** 9:00 a.m., June 12, 2014
- **Place:** 6F, No.88, Yanchang Rd., Taipei City (Taipei New Horizon Building)
- **Total outstanding shares of Taiwan Mobile** (excluding the shares with no voting rights stipulated in Article 179 of the Company Act): **2,690,106,978 shares**
- **Total shares represented by shareholders present:** **2,369,915,899 shares**
- **Percentage of shares held by shareholders present:** **88.10%**
- **Chairman: Richard Tsai / Recorder: Irene Chen**

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

- **Chairman's Address (omitted)**
- **Report Items**
  1. **The 2013 Business Report** (see Attachment I)
  2. **The 2013 Audit Committee Report** (see Attachment II)

- **Proposed Resolutions**

1. **To accept the 2013 Business Report and Financial Statements (Proposed by the Board of Directors)**

Taiwan Mobile's (The Company) financial statements were audited by certified public accountants, Simon Chen and Leo Chi, of KPMG and were approved at the board meeting on January 28, 2014. The 2013 Business Report, CPA's audit report, and financial statements are attached hereto as Attachments I, III and IV.

RESOLVED, the above proposal was accepted as submitted.

Voting Results:

Number of shares represented at the time of voting	For	Against	Abstained
2,369,915,899 shares	1,998,624,356 shares	20,891 shares	371,270,652 shares
100%	84.33%	0.00%	15.67%

2. **To ratify the proposal for the distribution of the 2013 retained earnings (Proposed by the Board of Directors)**

(1) The Company's 2013 net income was NT\$15,583,447,479 (please see Attachment V for the 2013 Earnings Distribution Proposal).

- (2) Cash dividend proposed by the Board is NT\$15,064,599,077. The Company received letters of agreement from TCC Investment Co., Ltd. (TCCI), TCCI Investment & Development Co., Ltd. (TID) and TFN Union Investment Co., Ltd. (TUI) forfeiting their share of dividends from the Company. Deducting 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\$5.6 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.

RESOLVED, the above proposal was accepted as submitted.

Voting Results:

Number of shares represented at the time of voting	For	Against	Abstained
2,369,915,899 shares	2,001,463,444 shares	24,389 shares	368,428,066 shares
100%	84.45%	0.00%	15.55%

**3. To approve revisions to the Articles of Incorporation (Proposed by the Board of Directors)**

To add third-party payment, cross-border internet transaction and publishing as the Company's new business items, the Company proposed revisions to Article 2 of the Articles of Incorporation. Please refer to Attachment VI for completed articles and the before and after amendments for comparison.

RESOLVED, the above proposal was accepted as submitted.

Voting Results:

Number of shares represented at the time of voting	For	Against	Abstained
2,369,915,899 shares	1,940,263,051 shares	4,274,991 shares	425,377,857 shares
100%	81.87%	0.18%	17.95%

**4. To approve revisions to the Rules and Procedures for the Acquisition or Disposal of Assets (Proposed by the Board of Directors)**

In compliance with the Financial Supervisory Commission's issuing of interpretation No. 1020053073 related to the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" on December 30, 2013, the Company proposed the following revisions:

- (1) In line with the adoption of the International Financial Reporting Standards (IFRS), related articles have been proposed to be amended.
- (2) When the Company enters into a transaction of membership or intangible assets with the government, a CPA opinion on the reasonableness of the transaction price is not required.
- (3) The Company may acquire or dispose of government bonds or bonds under repurchase and resale agreements, etc. from a related party without first submitting relevant information to and getting approval by the Audit Committee and the Board of Directors.

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

RESOLVED, the above proposal was accepted as submitted.

Voting Results:

Number of shares represented at the time of voting	For	Against	Abstained
2,369,915,899 shares	1,943,505,591 shares	1,032,451 shares	425,377,857 shares
100%	82.01%	0.04%	17.95%

**5. To elect the Board of Directors (including Independent Directors) for the seventh term (Proposed by the Board of Directors)**

- (1) The current sixth term of the Board of Directors consists of 9 directors (including 4 independent directors) with their terms expiring on June 14, 2014. The seventh term of Board of Directors shall be elected at the 2014 AGM.
- (2) Article 21 and 21-1 of the Company's Articles of Incorporation promulgate that 9-11 directors (at least 3 independent directors), with a tenure of office of three years, shall be persons with legal capacity elected by the shareholders at the shareholders' meeting and shall be determined by a candidate nomination system.
- (3) The seventh term of the Board of Directors with 9 directors (including 4 independent directors) who will hold office from June 12, 2014 to June 11, 2017 shall be elected at the 2014 AGM. The Audit Committee will be composed entirely of independent directors, replacing supervisors.
- (4) The candidate list of directors was reviewed and approved at the board meeting on April 29, 2014. Please refer to Appendix VIII for the "Rules for Election of the Directors".

<b>Director candidates</b>				
<b>Name</b>	<b>Education</b>	<b>Experience</b>	<b>Current Positions</b>	<b>Shareholding (shares)</b>
Fu-Chi Venture Corp. Representative: Richard Tsai	BA, National Taiwan University  MBA, Stern School of New York University	<ul style="list-style-type: none"> <li>■ Chairman, Fubon Securities Co., Ltd.</li> <li>■ Chairman, Fubon Life Insurance Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>■ Chairman, Taiwan Mobile Co., Ltd.</li> <li>■ Vice Chairman, Fubon Financial Holding Co., Ltd.</li> <li>■ Vice Chairman, Taipei Fubon Commercial Bank Co., Ltd.</li> <li>■ Chairman, Taiwan Fixed Network Co., Ltd.</li> </ul>	5,748,763
Fu-Chi Venture Corp. Representative: Daniel Tsai	LL.B., National Taiwan University  LL.M., Georgetown University	<ul style="list-style-type: none"> <li>■ Chairman, Fubon Insurance Co., Ltd.</li> <li>■ Chairman, Fubon Land Development Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>■ Chairman, Fubon Financial Holding Co., Ltd.</li> <li>■ Chairman, Taipei Fubon Commercial Bank Co., Ltd.</li> </ul>	5,748,763

			<ul style="list-style-type: none"> <li>■ Vice Chairman, Taiwan Mobile Co., Ltd.</li> </ul>	
Fu-Chi Venture Corp. Representative: Vivien Hsu	<p>MBA, University of New South Wales, Australia</p> <p>MBA, National Chengchi University</p>	<ul style="list-style-type: none"> <li>■ CFO, Cathay Financial Holding Co., Ltd.</li> <li>■ Senior Consultant &amp; Acting President, Taiwan Fixed Network Co., Ltd.</li> <li>■ Chairman, Win TV Broadcasting Co., Ltd.</li> <li>■ Co-President, Taiwan Mobile Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>■ President, Fubon Financial Holding Co., Ltd.</li> </ul>	5,748,763
TCC Investment Co., Ltd. Representative: James Jeng	<p>BSEE, National Cheng Kung University</p> <p>Ph.D. and MS in Electrical and Computer Engineering, New York State University, USA</p>	<ul style="list-style-type: none"> <li>■ Member of Technical Staff, AT&amp;T Bell Lab, USA</li> <li>■ EVP, United Fiber Optic Communication Inc.</li> <li>■ CEO, Asia Pacific Telecom Group</li> <li>■ CTO &amp; HBG COO, Taiwan Mobile Co., Ltd.</li> <li>■ Chairman &amp; CEO, Kbro Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>■ President, Taiwan Mobile Co., Ltd.</li> <li>■ President, Taiwan Fixed Network Co., Ltd.</li> <li>■ Chairman and President, Taiwan Digital Service Co., Ltd.</li> </ul>	200,496,761
TCC Investment Co., Ltd. Representative: Howard Lin	<p>Ph.D., Department of Chemical Engineering, National Taiwan University</p>	<ul style="list-style-type: none"> <li>■ Senior Vice President, Director of Investment, Fubon Financial Holding Co., Ltd.</li> <li>■ President, Fubon Asset Management Co., Ltd.</li> <li>■ Director, Technical &amp; Developing Dept., Grand Pacific Petrochemical Corp.</li> </ul>	<ul style="list-style-type: none"> <li>■ CIO of Fubon Financial Holding Co., Ltd.</li> <li>■ Vice Chairman, Fubon Life Insurance Co., Ltd.</li> <li>■ Vice Chairman, Fubon Financial Holding Venture Capital Corp.</li> <li>■ Chairman, Fubon Multimedia Technology Co., Ltd.</li> <li>■ Chairman, Sinostar Capital Inc.</li> </ul>	200,496,761

<b>Independent director candidates</b>				
<b>Name</b>	<b>Education</b>	<b>Experience</b>	<b>Current Positions</b>	<b>Shareholding (shares)</b>
Jack J.T. Huang	LL.B., National Taiwan University  LL.M., Northwestern University  S.J.D., Harvard University	<ul style="list-style-type: none"> <li>■ Coudert Brothers, New York</li> <li>■ Lee and Li Attorneys-at-Law</li> </ul>	<ul style="list-style-type: none"> <li>■ Partner-in-charge, Jones Day Taipei</li> <li>■ Independent Director, World Peace Holding</li> <li>■ Independent Director, Systex Corp.</li> <li>■ Director, Yulon Motor Co., Ltd.</li> </ul>	0
Tsung-Ming Chung	BBA, National Taiwan University  MBA, National Chengchi University	<ul style="list-style-type: none"> <li>■ Partner, T.N. Soong &amp; Co.</li> <li>■ Instructor, Department of Accounting, National Chengchi University</li> </ul>	<ul style="list-style-type: none"> <li>■ Chairman, Dynapack Technology Corp.</li> <li>■ Independent Director, Chroma ATE Inc.</li> <li>■ Director, Far Eastern International Commercial Bank</li> <li>■ Director, Unity Opto Technology Co., Ltd.</li> <li>■ Supervisor, Chien Kuo Construction Co., Ltd.</li> <li>■ Lecturer, Department of Accounting, National Taiwan University</li> </ul>	0
Hsueh Jen Sung	Bachelor of Science, National Chiao Tung University  Master of Commerce, National Chengchi University  MBA, Harvard Business School	<ul style="list-style-type: none"> <li>■ Lending Officer, Citibank, N.A.</li> <li>■ Principal and Chief Representative, First Interstate Capital Markets Limited</li> <li>■ Deputy General Manager, SBCI Securities (Asia) Limited</li> <li>■ Country Manager, Westpac Banking Corporation</li> <li>■ President and CEO, Grand Cathay Securities</li> </ul>	<ul style="list-style-type: none"> <li>■ Chairman, Vaucluse Capital Management Limited</li> </ul>	0

		<ul style="list-style-type: none"> <li>■ Corporation Vice Chairman and member of Global Partnership Committee and Asian Management Committee, Goldman Sachs (Asia) Limited</li> </ul>		
Guu-Chang Yang	Ph.D. in Electrical Engineering, University of Maryland at College Park	<ul style="list-style-type: none"> <li>■ Distinguished Professor, Department of Electrical Engineering/ Institute of Communications Engineering, National Chung Hsing University</li> <li>■ Chairman, Department of Electrical Engineering, National Chung Hsing University</li> <li>■ Professor, Department of Electrical Engineering, National Chung Hsing University</li> </ul>	<ul style="list-style-type: none"> <li>■ Chair Professor, Department of Electrical Engineering/ Institute of Communications Engineering, National Chung Hsing University</li> <li>■ Area Coordinator, Communications Engineering Program, Ministry of Science and Technology</li> </ul>	0

Election Results: Nine directors for the seventh term elected by the shareholders present are listed as follows:

Title	Shareholder account # or ROC ID #	Name	Votes Received
Director	515	Fu-Chi Venture Corp. Representative: Richard Tsai	2,257,937,143
Director	515	Fu-Chi Venture Corp. Representative: Daniel Tsai	1,953,400,841
Director	515	Fu-Chi Venture Corp. Representative: Vivien Hsu	1,230,473,427
Director	172939	TCC Investment Co., Ltd. Representative: James Jeng	1,215,742,210
Director	172939	TCC Investment Co., Ltd. Representative: Howard Lin	1,215,177,863
Independent Director	ROC ID# A10032****	Jack J.T. Huang	1,254,702,778
Independent Director	ROC ID# J10253****	Tsung-Ming Chung	1,255,937,539

Independent Director	ROC ID# R10296*****	Hsueh Jen Sung	1,235,983,677
Independent Director	ROC ID# B12034*****	Guu-Chang Yang	1,235,590,651

**6. To approve the release of the non-competition restrictions on the Board of Directors elected in the shareholders' meeting (Proposed by the Board of Directors)**

- (1) According to Article 209 of the Company Act, a director who acts for himself or on behalf of another person that is within the scope of the Company's business, shall clarify to the meeting of shareholders the essential contents of the act and secure its approval.
- (2) Please approve the removal of the non-competition restrictions on the Board of Directors (including individual directors and institutional directors' representatives) for the seventh term elected at the shareholders' meeting till the end of their tenure in office.
- (3) According to Article 178 of the Company Act, a shareholder who has a personal interest in a matter under discussion at a meeting, which may impair the interest of the Company, shall not vote nor exercise the voting right on behalf of another shareholder. The regulation shall apply to the elected directors and their representatives.

<b>Name</b>	<b>Current position(s) in other companies</b>		
Richard Tsai	Vice Chairman, Fubon Financial Holding Co., Ltd.	Director, Sinostar Capital Inc.	Supervisor, Fubon Construction Co., Ltd.
	Director, Fubon Life Insurance Co., Ltd.	Chairman, Kuo-Ki Investment Co., Ltd.	Chairman, Fubon Financial Holding Venture Capital Corp.
	Vice Chairman, Taipei Fubon Commercial Bank Co., Ltd.	Director, Chung Shing Development Co., Ltd	Chairman, Taipei New Horizon Co., Ltd.
	Director, Dao Ying Co., Ltd.	Director, Fubon Realty	Chairman, Fubon Bank (Hong Kong)
	Director, Ming Dong Co., Ltd.	Director, Good TV Broadcasting Corp.	Director, First Sino Bank
	Director, Cho Pharma Inc.		
Daniel Tsai	Chairman, Fubon Financial Holding Co., Ltd.	Supervisor, Sinostar Capital Inc.	Director, Fubon Construction Co., Ltd.
	Chairman, Taipei Fubon Commercial Bank Co., Ltd.	Director, Kuo-Ki Investment Co., Ltd.	Director, Fubon Financial Holding Venture Capital Corp.
	Director, Dao Ying Co., Ltd.	Director, Chung Shing Development Co., Ltd	Vice Chairman, Fubon Bank (Hong Kong)
	Director, Ming Dong Co., Ltd.	Director, Fubon Realty	Chairman, First Sino Bank
Vivien Hsu	President, Fubon Financial Holding Co., Ltd.		
James Jeng	Chairman, Globalview Cable TV	Director, Fubon Multimedia Technology Co., Ltd.	Director, Taipei New Horizon Co., Ltd.
	Chairman, Union Cable TV		
Howard Lin	Vice Chairman, Fubon Life Insurance Co., Ltd.	CIO of Fubon Financial Holding Co., Ltd.	Chairman, Sinostar Capital Inc.
	Vice Chairman, Fubon Financial Holding Venture Capital Corp.	Chairman, Fubon Multimedia Technology Co., Ltd.	
Jack J.T. Huang	Independent Director, World Peace Holding	Director, Yulon Motor Co., Ltd.	Independent Director, Systex Corp.

Tsung-Ming Chung	Chairman, Dynapack Technology Corp. Independent Director, Chroma ATE Inc.	Director, Far Eastern International Commercial Bank Director, Unity Opto Technology Co., Ltd.	Supervisor, Chien Kuo Construction Co., Ltd.
Hsueh Jen Sung	Chairman, Vacluse Capital Management Limited		
Guu-Chang Yang	Area Coordinator, Communications Engineering Program, Ministry of Science and Technology		

RESOLVED, the above proposal was accepted as submitted.

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

Name	Number of shares represented at the time of voting	For	Against	Abstained
Richard Tsai	2,274,039,198	1,837,083,672	11,600,234	425,355,292
	100%	80.79%	0.51%	18.70%
Daniel Tsai	2,272,187,146	1,835,231,611	11,600,243	425,355,292
	100%	80.77%	0.51%	18.72%
Vivien Hsu	2,364,167,136	1,938,617,864	193,971	425,355,301
	100%	82.00%	0.01%	17.99%
James Jeng	2,369,915,899	1,943,715,209	845,398	425,355,292
	100%	82.02%	0.04%	17.94%
Howard Lin	2,369,915,899	1,943,715,200	845,407	425,355,292
	100%	82.02%	0.04%	17.94%
Jack J.T. Huang	2,369,915,899	1,944,367,627	192,971	425,355,301
	100%	82.04%	0.01%	17.95%
Tsung-Ming Chung	2,369,915,899	1,943,716,209	844,398	425,355,292
	100%	82.02%	0.04%	17.94%
Hsueh Jen Sung	2,369,915,899	1,944,371,688	187,919	425,356,292
	100%	82.04%	0.01%	17.95%
Guu-Chang Yang	2,369,915,899	1,944,367,627	191,971	425,356,301
	100%	82.04%	0.01%	17.95%

## **Special Motions**

None

**Meeting Adjourned** (Time: 9:34 a.m.)

### **Business Report**

Taiwan Mobile's ("TWM" or "The Company") consolidated revenue rose 9% YoY to NT\$109.1bn in 2013. EBITDA also grew 1% YoY to NT\$30.8bn. Net income was NT\$15.6bn, reaching 101% of the Company's target, while earnings per share came in at NT\$5.79, in line with the Company's expectations. Mobile data service remained the main growth driver, bolstered by the Company's introduction of a variety of flexible mobile data packages as well as a wide range of flagship and mid-to-low-end smartphones to encourage user migration from feature phones. This raised its mobile internet adoption rate to 54% at the end of 2013 from 42% the previous year, and boosted its wireless value-added service (VAS) revenue by 30% YoY. Mobile VAS as a percentage of total mobile service revenue climbed to 39% at the end of 2013 and more than offset the softness in mobile voice revenue.

As the Company steadily expanded its core business, it also continued to gain recognition for its commitment to enhancing corporate value. These include:

1. World-class corporate governance

Taiwan Mobile is committed to maintaining integrity as a core value and promoting corporate governance. The Company's compliance with global standards has won not only the trust of investors, but also numerous awards and recognition from domestic and international rating institutions. Last year, it was once again selected a member of the Dow Jones Sustainability Indices' (the world's first and most widely used global sustainability benchmarks) Emerging Markets Index. The Company was also a recipient of "The Best of Asia: Icon on Corporate Governance, Taiwan region," the highest honor given by Corporate Governance Asia (CGA) magazine in recognition of its continuous excellence as an award winner for seven years in a row. Furthermore, TWM received an "A++" rating and was ranked among the top five listed companies in "Transparency and Information Disclosure" by the Securities and Futures Institute for the eighth consecutive year.

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 won wide recognition. These included receiving the

“Corporate Social Responsibility Award” by Global Views Monthly for the sixth time last year – this time for education promotion; the “Excellence in Corporate Social Responsibility” award from Commonwealth magazine for the seventh year in a row; and the “2013 Taiwan Corporate Sustainability Awards – Excellence in Telecom Sector” as well as the “Role Model Award for Community Service and Outreach” from the Taiwan Institute for Sustainable Energy Research. In addition, the Company received an ISO 14064-1 certification for complying with greenhouse gas emissions and removals standards and ISO 50001 certification for energy management.

### 3. Premium services and customer satisfaction

With customer care as its core value, TWM offers premium customer services, including world-class information security, network quality, and product and service innovations – all of which were critical to its earning the following recognitions: being named once again the “Most Prestigious Company” in the telecom sector in an annual survey by Commonwealth magazine in 2013 and receiving the “Trusted Brand Gold Award” from Reader’s Digest for the tenth consecutive year.

Taiwan’s wireless broadband industry is entering a new era with the completion of the 4G license auction at the end of October 2013. The Company won two 15MHz x 2 blocks on the 700MHz (spectrum A4) and the 1800MHz (spectrum C1) bands, with the lowest unit spectrum cost among the big three operators. This year could be a turning point for the industry, as incumbents and new entrants compete for a slice of the 4G market. TWM and its employees are ready to meet these challenges. The Company will continue to leverage its brand and provide superior networks, products and services through innovative research and development, comprehensive distribution channels and world-class information security. TWM is committed to becoming the top choice for high-speed wireless broadband for the consumer.

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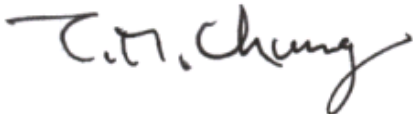
 **Taiwan Mobile Co., Ltd.**

**Audit Committee Report**

January 27, 2014

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2013 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 2014 Annual General Meeting for ratifications.

Taiwan Mobile Co., Ltd.



Tsung-Ming Chung

Chairman of the Audit Committee



**Taiwan Mobile Co., Ltd.**

## **Audit Committee Report**

April 29, 2014

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's business report and proposal for distribution of the 2013 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 2014 Annual General Meeting for ratifications.

Taiwan Mobile Co., Ltd.

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

Tsung-Ming Chung

Chairman of the Audit Committee

**The 2013 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, 2013, and December 31 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Mobile Co., Ltd. And subsidiaries as of December 31, 2013, and December 31 and January 1, 2012, and the consolidated results of their operations and their consolidated cash flows for the years ended December 31, 2013 and 2012, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed by the FSC.

As discussed in Notes 4 and 15 to the consolidated financial statements, effective January 1, 2013, Taiwan Mobile Co., Ltd. and subsidiaries changed the recognition method for bundle sales from the residual value method to the relative fair value method, and retrospectively restated all the comparative consolidated financial statements for 2012.

We have also audited the standalone financial statements of Taiwan Mobile Co., Ltd. as of December 31, 2013, and December 31 and January 1, 2012, and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2013 and 2012, on which we have issued an unqualified audit report.

KPMG  
Taipei, Taiwan (the Republic of China)  
January 28, 2014

Note to Readers

*The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the 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.*

*For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 auditors' report and consolidated financial statements shall prevail.*

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2013, DECEMBER 31, AND JANUARY 1, 2012**

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

ASSETS		2013.12.31		2012.12.31		2012.1.1		LIABILITIES AND EQUITY		2013.12.31		2012.12.31		2012.1.1	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>								<b>CURRENT LIABILITIES</b>							
1100	Cash and cash equivalents (Notes 4, 6(a) and 7)	\$ 7,954,294	6	6,191,140	6	6,572,192	7	2100	Short-term borrowings (Notes 4, 6(n) and 7)	\$ 30,605,813	22	3,158,440	3	9,000,000	9
1110	Current financial assets at fair value through profit or loss (Notes 4 and 6(b))	-	-	-	-	60,186	-	2110	Short-term notes and bills payable (Notes 4 and 6(n))	2,396,971	2	-	-	899,273	1
1125	Current available-for-sale financial assets (Notes 4, 6(c) and 7)	960,945	1	205,397	-	217,351	-	2150	Notes payable	408,904	-	360,669	-	641,166	1
1170	Accounts and notes receivable, net (Notes 4, 5 and 6(f))	14,583,899	10	12,059,034	12	10,209,865	10	2170	Accounts payable	6,661,431	5	7,131,402	7	5,481,389	6
1180	Accounts receivable due from related parties, net (Note 7)	49,557	-	71,039	-	129,019	-	2180	Accounts payable to related parties (Note 7)	73,080	-	64,377	-	-	-
1200	Other receivables (Note 7)	494,348	-	485,879	-	520,487	1	2200	Other payables (Note 7)	11,657,899	9	9,492,635	10	9,911,877	10
130x	Inventories (Notes 4 and 6(g))	3,781,354	3	2,566,900	3	2,004,103	2	2230	Current tax liabilities (Note 4)	1,512,072	1	1,523,604	2	1,331,623	1
1410	Prepayments (Note 7)	521,368	-	569,967	1	406,484	1	2250	Current provisions (Notes 4 and 6(r))	193,886	-	120,610	-	90,014	-
1460	Non-current assets classified as held for sale (Notes 4 and 6(h))	50,275	-	-	-	-	-	2310	Advance receipts (Note 6(o))	2,619,906	2	3,109,824	3	3,053,670	3
1470	Other current assets (Notes 6(m), 7 and 8)	1,097,828	1	1,623,562	2	346,025	-	2320	Long-term liabilities, current portion (Notes 6(p) and (q))	1,000,000	1	4,000,000	4	4,000,000	4
	<b>Total current assets</b>	<u>29,493,868</u>	<u>21</u>	<u>23,772,918</u>	<u>24</u>	<u>20,465,712</u>	<u>21</u>	2399	Other current liabilities, others	1,475,676	1	968,832	1	774,831	1
<b>NON-CURRENT ASSETS</b>									<b>Total current liabilities</b>	<u>58,605,638</u>	<u>43</u>	<u>29,930,393</u>	<u>30</u>	<u>35,183,843</u>	<u>36</u>
1523	Non-current available-for-sale financial assets (Notes 4 and 6(c))	1,226,889	1	1,127,655	1	1,123,144	1	2530	Bonds payable (Note 6(p))	14,792,647	11	8,995,180	9	4,000,000	4
1543	Non-current financial assets at cost (Notes 4 and 6(d))	178,325	-	181,328	-	186,276	-	2540	Long-term borrowings (Note 6(q))	2,000,000	1	-	-	-	-
1546	Non-current bond investment without active market (Notes 4 and 6(e))	500,000	-	500,000	1	500,000	1	2550	Non-current provisions (Notes 4 and 6(r))	880,069	1	755,195	1	670,001	1
1550	Investments accounted for using equity method (Notes 4, 5, 6(i) and 11)	2,289,356	2	1,248,562	1	562,812	1	2570	Deferred tax liabilities (Notes 4, 5 and 6(u))	2,599,791	2	2,119,747	2	1,628,204	1
1600	Property, plant and equipment (Notes 4, 5 and 6(j))	42,985,801	31	40,737,678	41	41,694,459	43	2640	Accrued pension liabilities (Notes 4 and 6(t))	115,463	-	116,237	-	106,748	-
1760	Investment property, net (Notes 4 and 6(k))	320,394	-	299,991	-	302,799	-	2645	Guarantee deposits	818,386	-	810,436	1	738,932	1
1791	Concession license (Notes 4 and 6(l))	32,748,545	24	4,486,254	4	5,233,964	5	2670	Other non-current liabilities, others	19,744	-	19,744	-	19,744	-
1805	Goodwill (Notes 4, 5 and 6(l))	15,845,930	11	15,845,930	16	15,845,930	16		<b>Total non-current liabilities</b>	<u>21,226,100</u>	<u>15</u>	<u>12,816,539</u>	<u>13</u>	<u>7,163,629</u>	<u>7</u>
1821	Other intangible assets, net (Notes 4, 5 and 6(l))	6,242,796	5	6,321,970	6	6,525,944	7		<b>Total liabilities</b>	<u>79,831,738</u>	<u>58</u>	<u>42,746,932</u>	<u>43</u>	<u>42,347,472</u>	<u>43</u>
1840	Deferred tax assets (Notes 4, 5 and 6(u))	924,576	1	1,072,844	1	1,181,857	1	<b>EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Note 6(v))</b>							
1900	Other non-current assets (Notes 6(m), 7 and 8)	5,595,899	4	4,795,095	5	4,008,419	4	3110	Ordinary share	34,208,328	25	34,208,328	34	34,208,328	35
		108,858,511	79	76,617,307	76	77,165,604	79	3200	Capital surplus	12,456,891	9	12,431,851	12	12,431,851	13
									Retained earnings:						
								3310	Legal reserve	19,262,044	14	18,061,894	18	16,715,018	17
								3320	Special reserve	-	-	-	-	821,741	1
								3350	Unappropriated retained earnings	22,171,132	16	22,606,173	23	20,721,444	21
								3400	Other equity interest	412,682	-	340,026	-	356,218	1
								3500	Treasury shares	(31,077,183)	(23)	(31,077,183)	(31)	(31,077,183)	(32)
									<b>Total equity attributable to owners of parent</b>	<u>57,433,894</u>	<u>41</u>	<u>56,571,089</u>	<u>56</u>	<u>54,177,417</u>	<u>56</u>
								36xx	Non-controlling interests	1,086,747	1	1,072,204	1	1,106,427	1
									<b>Total equity</b>	<u>58,520,641</u>	<u>42</u>	<u>57,643,293</u>	<u>57</u>	<u>55,283,844</u>	<u>57</u>
<b>TOTAL</b>		<u>\$ 138,352,379</u>	<u>100</u>	<u>100,390,225</u>	<u>100</u>	<u>97,631,316</u>	<u>100</u>	<b>TOTAL</b>		<u>\$ 138,352,379</u>	<u>100</u>	<u>100,390,225</u>	<u>100</u>	<u>97,631,316</u>	<u>100</u>

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

		(NT\$'000, except for EPS)			
		2013		2012	
		Amount	%	Amount	%
4000	<b>OPERATING REVENUES (Notes 4, 6(x) and 7)</b>	\$ 109,143,367	100	99,740,256	100
5000	<b>OPERATING COSTS (Notes 4, 7 and 12)</b>	<u>70,033,319</u>	<u>64</u>	<u>61,625,644</u>	<u>62</u>
5900	<b>GROSS PROFIT FROM OPERATIONS</b>	<u>39,110,048</u>	<u>36</u>	<u>38,114,612</u>	<u>38</u>
6000	<b>OPERATING EXPENSES (Notes 4, 7 and 12)</b>				
6100	Marketing	13,375,927	12	12,599,262	12
6200	Administrative	<u>4,998,627</u>	<u>5</u>	<u>4,803,152</u>	<u>5</u>
		<u>18,374,554</u>	<u>17</u>	<u>17,402,414</u>	<u>17</u>
6500	<b>NET OTHER INCOME AND EXPENSES (Note 6(y))</b>	<u>59,343</u>	<u>-</u>	<u>70,012</u>	<u>-</u>
6900	<b>NET OPERATING INCOME</b>	<u>20,794,837</u>	<u>19</u>	<u>20,782,210</u>	<u>21</u>
	<b>NON-OPERATING INCOME AND EXPENSES</b>				
7010	Other income (Note 6(z))	158,090	-	122,028	-
7020	Other gains and losses, net (Note 6(z))	(1,381,610)	(1)	(620,297)	(1)
7050	Finance costs (Notes 6(z) and 7)	(397,373)	-	(332,114)	-
7060	Share of losses of associates accounted for using equity method (Note 4)	<u>(55,403)</u>	<u>-</u>	<u>(10,502)</u>	<u>-</u>
7000	<b>Total non-operating income and expenses</b>	<u>(1,676,296)</u>	<u>(1)</u>	<u>(840,885)</u>	<u>(1)</u>
7900	<b>PROFIT BEFORE TAX</b>	19,118,541	18	19,941,325	20
7950	<b>TAX EXPENSE (Note 6(u))</b>	<u>3,300,760</u>	<u>3</u>	<u>3,391,126</u>	<u>3</u>
8200	<b>PROFIT</b>	<u><b>15,817,781</b></u>	<u><b>15</b></u>	<u><b>16,550,199</b></u>	<u><b>17</b></u>
8300	<b>OTHER COMPREHENSIVE INCOME (LOSS) :</b>				
8310	Exchange differences on translation	303	-	(13,466)	-
8325	Unrealized gains on available-for-sale financial assets	54,782	-	(7,444)	-
8360	Actuarial gains (losses) on defined benefit plans	560	-	(43,286)	-
8370	Share of other comprehensive income of associates accounted for using equity method	(1,859)	-	(198)	-
8399	Income tax generated from other comprehensive income	<u>(95)</u>	<u>-</u>	<u>7,359</u>	<u>-</u>
8300	<b>OTHER COMPREHENSIVE INCOME (AFTER TAX)</b>	<u><b>53,691</b></u>	<u><b>-</b></u>	<u><b>(57,035)</b></u>	<u><b>-</b></u>
8500	<b>COMPREHENSIVE INCOME</b>	<u><b>\$ 15,871,472</b></u>	<u><b>15</b></u>	<u><b>16,493,164</b></u>	<u><b>17</b></u>
	<b>PROFIT, ATTRIBUTABLE TO:</b>				
8610	Owners of parent	\$ 15,583,447	15	16,326,013	17
8620	Non-controlling interests	<u>234,334</u>	<u>-</u>	<u>224,186</u>	<u>-</u>
		<u><b>\$ 15,817,781</b></u>	<u><b>15</b></u>	<u><b>16,550,199</b></u>	<u><b>17</b></u>
	<b>COMPREHENSIVE INCOME, ATTRIBUTABLE TO:</b>				
8710	Owners of parent	15,655,368	15	16,274,624	17
8720	Non-controlling interests	<u>216,104</u>	<u>-</u>	<u>218,540</u>	<u>-</u>
		<u><b>\$ 15,871,472</b></u>	<u><b>15</b></u>	<u><b>16,493,164</b></u>	<u><b>17</b></u>
	<b>EARNINGS PER SHARE (Note 6(w))</b>				
9750	<b>BASIC</b>	<u><b>\$ 5.79</b></u>		<u><b>6.07</b></u>	
9850	<b>DILUTED</b>	<u><b>\$ 5.78</b></u>		<u><b>6.06</b></u>	

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

	Equity Attributable to Owners of Parent					Other Equity Interest			Total	Non-controlling Interests	Total Equity
	Ordinary Share	Capital Surplus	Legal Reserve	Retained Earnings		Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Treasury Shares			
				Special Reserve	Unappropriated						
<b>BALANCE, JANUARY 1, 2012</b>	\$ 34,208,328	12,431,851	16,715,018	821,741	15,297,352	34,231	321,987	(31,077,183)	48,753,325	1,106,427	49,859,752
Effects of retrospective application and retrospective restatement	-	-	-	-	5,424,092	-	-	-	5,424,092	-	5,424,092
Balance after adjustments	34,208,328	12,431,851	16,715,018	821,741	20,721,444	34,231	321,987	(31,077,183)	54,177,417	1,106,427	55,283,844
Profit for the year ended December 31, 2012	-	-	-	-	16,326,013	-	-	-	16,326,013	224,186	16,550,199
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	(35,197)	(8,748)	(7,444)	-	(51,389)	(5,646)	(57,035)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	16,290,816	(8,748)	(7,444)	-	16,274,624	218,540	16,493,164
Appropriation and distribution of retained earnings											
Legal reserve	-	-	1,346,876	-	(1,346,876)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(13,880,952)	-	-	-	(13,880,952)	-	(13,880,952)
Reversal of special reserve	-	-	-	(821,741)	821,741	-	-	-	-	-	-
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(252,763)	(252,763)
<b>BALANCE, DECEMBER 31, 2012</b>	<b>34,208,328</b>	<b>12,431,851</b>	<b>18,061,894</b>	<b>-</b>	<b>22,606,173</b>	<b>25,483</b>	<b>314,543</b>	<b>(31,077,183)</b>	<b>56,571,089</b>	<b>1,072,204</b>	<b>57,643,293</b>
Profit for the year ended December 31, 2013	-	-	-	-	15,583,447	-	-	-	15,583,447	234,334	15,817,781
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	(735)	(535)	73,191	-	71,921	(18,230)	53,691
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	15,582,712	(535)	73,191	-	15,655,368	216,104	15,871,472
Appropriation and distribution of retained earnings											
Legal reserve	-	-	1,469,160	-	(1,469,160)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(14,526,578)	-	-	-	(14,526,578)	-	(14,526,578)
Legal reserve used to distribute cash dividends	-	-	(269,010)	-	-	-	-	-	(269,010)	-	(269,010)
Changes in equity of associates accounted for using equity method	-	25,040	-	-	-	-	-	-	25,040	24,410	49,450
Adjustments arising from changes in percentage of ownership of subsidiaries	-	-	-	-	(22,015)	-	-	-	(22,015)	22,015	-
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(247,986)	(247,986)
<b>BALANCE, DECEMBER 31, 2013</b>	<b>\$ 34,208,328</b>	<b>12,456,891</b>	<b>19,262,044</b>	<b>-</b>	<b>22,171,132</b>	<b>24,948</b>	<b>387,734</b>	<b>(31,077,183)</b>	<b>57,433,894</b>	<b>1,086,747</b>	<b>58,520,641</b>

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

(NTS'000)

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	\$ 19,118,541	19,941,325
<b>Adjustments</b>		
Adjustments to reconcile profit (loss)		
Depreciation expense	8,767,518	8,468,623
Amortization expense	1,234,149	1,278,454
Loss on disposal of property, plant and equipment, net	1,395,538	587,918
Interest expense	397,373	332,114
Provision for bad debt expense	321,110	295,494
Interest income	(95,023)	(55,497)
Share of losses of associates accounted for using equity method	55,403	10,502
Dividend income	(24,246)	(19,888)
Gain on disposal of investments accounted for using equity method	(5,874)	-
Gain on disposal of investments	(4,046)	(287)
Impairment loss on financial assets	-	1,948
Others	184	(7,920)
Total adjustments to reconcile profit (loss)	<u>12,042,086</u>	<u>10,891,461</u>
Changes in operating assets and liabilities		
Current financial assets at fair value through profit or loss	-	60,473
Accounts and notes receivable	(3,590,403)	(2,926,523)
Accounts receivable due from related parties	21,482	57,980
Other receivables	(9,118)	36,149
Inventories	(1,212,808)	(564,368)
Prepayments	47,189	(166,854)
Other current assets	30,630	(32,900)
Other non-current assets	18,265	36,334
Notes payable	48,235	(280,497)
Accounts payable	(469,971)	1,650,009
Accounts payable to related parties	8,703	64,377
Other payables	1,079,894	2,033
Provisions	41,840	(18,501)
Advance receipts	(489,918)	56,154
Other current liabilities	506,844	194,001
Accrued pension liabilities	(213)	(33,797)
Total changes in operating assets and liabilities	<u>(3,969,349)</u>	<u>(1,865,930)</u>
Net cash inflows generated from operating activities	27,191,278	28,966,856
Interest paid	(1,165)	(101)
Income taxes paid	<u>(2,357,102)</u>	<u>(2,982,027)</u>
<b>Net cash flows from operating activities</b>	<u>24,833,011</u>	<u>25,984,728</u>

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

(NT\$'000)

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of concession license	(29,010,000)	-
Acquisition of computer software and other intangible assets	(180,087)	(129,735)
Acquisition of property, plant and equipment	(11,501,652)	(7,977,023)
Increase in prepayments for equipment	(303,046)	(187,345)
Acquisition of investments accounted for using equity method	(1,067,850)	(696,450)
Acquisition of available-for-sale financial assets	(1,000,000)	-
Decrease in other financial assets	1,471,101	1,128,581
Increase in other financial assets	(1,218,816)	(2,391,954)
Decrease in refundable deposits	220,613	141,303
Increase in refundable deposits	(207,141)	(198,926)
Proceeds from disposal of available-for-sale financial assets	194,277	-
Proceeds from disposal of property, plant and equipment	110,239	6,801
Proceeds from disposal of investments accounted for using equity method	12,855	-
Proceeds from disposal of computer software and other intangible assets	1	1
Interest received	95,940	54,050
Dividends received	34,566	19,888
Proceeds from investees' capital reduction	3,002	3,000
<b>Net cash used in investing activities</b>	<u>(42,345,998)</u>	<u>(10,227,809)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	73,873,936	70,958,440
Decrease in short-term borrowings	(46,435,716)	(76,800,000)
Proceeds from issuance of bonds	5,796,043	8,995,117
Repayment of bonds	(4,000,000)	(4,000,000)
Increase in short-term notes and bills payable	3,894,957	2,098,197
Decrease in short-term notes and bills payable	(1,498,542)	(2,997,447)
Proceeds from long-term borrowings	3,000,000	-
Cash dividends paid	(14,795,584)	(13,880,940)
Cash dividends paid to non-controlling interests	(247,986)	(252,763)
Increase in guarantee deposits received	193,527	162,778
Decrease in guarantee deposits received	(186,458)	(89,418)
Interest paid	(326,658)	(326,031)
<b>Net cash flows from (used in) financing activities</b>	<u>19,267,519</u>	<u>(16,132,067)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	8,622	(5,904)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>1,763,154</u>	<u>(381,052)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	6,191,140	6,572,192
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 7,954,294</u></u>	<u><u>6,191,140</u></u>

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**The 2013 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, 2013, and December 31 and January 1, 2012, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These separate financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these separate financial statements based on our audits.

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

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Mobile Co., Ltd. as of December 31, 2013, and December 31 and January 1, 2012, and the results of its operations and its cash flows for the years ended December 31, 2013 and 2012, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers.

As discussed in Notes 4 and 15 to the separate financial statements, effective January 1, 2013, Taiwan Mobile Co., Ltd. changed the recognition method for bundle sales from the residual value method to the relative fair value method, and retrospectively restated all the comparative separate financial statements for 2012.

We have also audited the accompanying schedules of significant accounts, provided as supplementary analysis, by applying the same procedures described above. In our opinion, such schedules are consistent, in all material respects, with the separate financial statements referred to above.

KPMG  
Taipei, Taiwan (the Republic of China)  
January 28, 2014

**Notice to Readers**

*The accompanying separate financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the 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.*

*For the convenience of readers, the auditors' report and the accompanying separate financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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 auditors' report and separate financial statements shall prevail.*

TAIWAN MOBILE CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2013, DECEMBER 31, AND JANUARY 1, 2012

(NTS'000, except for par value)

		2013.12.31		2012.12.31		2012.1.1				2013.12.31		2012.12.31		2012.1.1	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>LIABILITIES AND EQUITY</b>															
<b>CURRENT LIABILITIES</b>															
2100	Short-term borrowings (Notes 4,6(k) and 7)	\$ 37,170,000	28	9,800,000	10	9,000,000	10	1100	Cash and cash equivalents (Notes 4, 6(a) and 7)	\$ 601,723	1	1,155,355	1	877,518	1
2110	Short-term notes and bills payable (Notes 4 and 6(k))	2,396,971	2	-	-	899,273	1	1125	Current available-for-sale financial assets (Notes 4 and 6(b))	202,354	-	205,397	-	217,351	-
2170	Accounts payable	4,025,392	3	4,758,764	5	3,384,431	4	1170	Accounts and notes receivable, net (Notes 4, 5 and 6(d))	11,807,587	9	10,541,860	11	8,500,759	9
2180	Accounts payable to related parties (Note 7)	94,029	-	68,272	-	38,861	-	1180	Accounts receivable due from related parties, net (Note 7)	1,744,392	1	39,519	-	48,195	-
2200	Other payables (Note 7)	8,884,409	7	7,906,499	8	8,196,162	9	1200	Other receivables	335,115	-	285,429	-	308,288	-
2230	Current tax liabilities (Note 4)	470,808	-	791,790	1	668,216	1	1210	Other receivables due from related parties (Note 7)	2,433,533	2	1,891,140	2	1,378,892	2
2250	Current provisions (Notes 4 and 6(o))	109,116	-	90,668	-	62,896	-	130x	Inventories (Notes 4 and 6(e))	2,283,349	2	1,949,335	2	1,430,322	2
2310	Advance receipts (Note 6(l))	1,973,963	1	2,268,697	2	2,151,157	2	1410	Prepayments (Note 7)	409,844	-	395,330	1	135,425	-
2320	Long-term liabilities, current portion (Notes 6(m) and (n))	1,000,000	1	4,000,000	4	4,000,000	4	1470	Other current assets	1,801	-	3,701	-	3,133	-
2399	Other current liabilities, others (Note 7)	1,112,012	1	692,712	1	485,995	1		<b>Total current assets</b>	19,819,698	15	16,467,066	17	12,899,883	14
	<b>Total current liabilities</b>	57,236,700	43	30,377,402	31	28,886,991	32		<b>NON-CURRENT ASSETS</b>						
<b>NON-CURRENT LIABILITIES</b>															
2530	Bonds payable (Note 6(m))	14,792,647	11	8,995,180	9	4,000,000	4	1543	Non-current financial assets at cost (Notes 4 and 6(c))	50,324	-	50,324	-	50,324	-
2540	Long-term borrowings (Notes 4 and 6(n))	2,000,000	2	-	-	-	-	1550	Investments accounted for using equity method (Notes 4, 5, 6(f) and 11)	39,513,049	30	33,667,654	34	25,648,641	29
2550	Non-current provisions (Notes 4 and 6(o))	564,470	-	465,534	1	405,750	1	1600	Property, plant and equipment (Notes 4, 5, 6(g) and 7)	28,975,365	22	29,799,766	30	31,850,753	36
2570	Deferred tax liabilities (Notes 4, 5 and 6 (r))	1,744,211	1	1,761,830	2	1,368,724	2	1760	Investment property, net (Notes 4 and 6(h))	1,765,018	1	2,061,874	2	1,966,590	2
2640	Accrued pension liabilities (Notes 4 and 6(q))	28,882	-	10,762	-	16,593	-	1791	Concession license (Notes 4 and 6(i))	32,748,545	24	4,486,254	5	5,233,964	6
2645	Guarantee deposits	376,428	-	383,419	-	335,365	-	1805	Goodwill (Notes 4, 5 and 6(i))	7,121,871	5	7,121,871	7	7,121,871	8
	<b>Total non-current liabilities</b>	19,506,638	14	11,616,725	12	6,126,432	7	1801	Computer software, net(Notes 4, 5 and 6(i))	376,627	-	324,723	-	353,622	-
	<b>Total liabilities</b>	76,743,338	57	41,994,127	43	35,013,423	39	1840	Deferred tax assets (Notes 4, 5 and 6(r))	815,573	1	964,327	1	1,090,060	1
<b>EQUITY</b> (Note 6(s))															
3110	Ordinary share	34,208,328	26	34,208,328	35	34,208,328	39	1900	Other non-current assets (Notes 6(j) and 8)	2,991,162	2	3,621,357	4	2,975,132	4
3200	Capital surplus	12,456,891	9	12,431,851	13	12,431,851	14		<b>Total non-current assets</b>	114,357,534	85	82,098,150	83	76,290,957	86
	Retained earnings :														
3310	Legal reserve	19,262,044	14	18,061,894	18	16,715,018	19		<b>TOTAL</b>	\$ 134,177,232	100	98,565,216	100	89,190,840	100
3320	Special reserve	-	-	-	-	821,741	1								
3350	Unappropriated retained earnings	22,171,132	17	22,606,173	23	20,721,444	23								
3400	Other equity interest	412,682	-	340,026	-	356,218	-								
3500	Treasury shares	(31,077,183)	(23)	(31,077,183)	(32)	(31,077,183)	(35)								
	<b>Total equity</b>	57,433,894	43	56,571,089	57	54,177,417	61								
<b>TOTAL</b>		\$ 134,177,232	100	98,565,216	100	89,190,840	100								

**TAIWAN MOBILE CO., LTD.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

(NT\$'000, except for EPS)

	<b>2013</b>		<b>2012</b>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000 <b>OPERATING REVENUES (Notes 4, 6(u) and 7)</b>	\$ 78,928,492	100	69,867,814	100
5000 <b>OPERATING COSTS (Notes 4, 7 and 12)</b>	<u>51,265,449</u>	<u>65</u>	<u>42,407,001</u>	<u>61</u>
5900 <b>GROSS PROFIT FROM OPERATIONS</b>	27,663,043	35	27,460,813	39
5950 Unrealized profit from sales	<u>33,405</u>	-	<u>-</u>	-
5900 <b>GROSS PROFIT FROM OPERATIONS</b>	<u>27,629,638</u>	<u>35</u>	<u>27,460,813</u>	<u>39</u>
6000 <b>OPERATING EXPENSES (Notes 4, 7 and 12)</b>				
6100 Marketing	15,989,050	20	11,051,075	16
6200 Administrative	<u>3,435,206</u>	<u>4</u>	<u>3,399,478</u>	<u>4</u>
	<u>19,424,256</u>	<u>24</u>	<u>14,450,553</u>	<u>20</u>
6500 <b>NET OTHER INCOME AND EXPENSES (Note 6(v))</b>	<u>52,635</u>	-	<u>53,320</u>	-
6900 <b>NET OPERATING INCOME</b>	<u>8,258,017</u>	<u>11</u>	<u>13,063,580</u>	<u>19</u>
<b>NON-OPERATING INCOME AND EXPENSES</b>				
7010 Other income (Notes 6(w) and 7)	229,807	-	219,742	-
7020 Other gains and losses, net (Note 6(w))	(1,318,154)	(2)	(607,898)	(1)
7050 Finance costs (Notes 6(w) and 7)	(444,094)	(1)	(386,107)	(1)
7070 Share of profits of subsidiaries and associates accounted for using equity method (Note 4)	<u>9,862,077</u>	<u>13</u>	<u>6,018,873</u>	<u>9</u>
7000 <b>Total non-operating income and expenses</b>	<u>8,329,636</u>	<u>10</u>	<u>5,244,610</u>	<u>7</u>
7900 <b>PROFIT BEFORE TAX</b>	16,587,653	21	18,308,190	26
7950 <b>TAX EXPENSE (Note 6(r))</b>	<u>1,004,206</u>	<u>1</u>	<u>1,982,177</u>	<u>3</u>
8200 <b>PROFIT</b>	<u>15,583,447</u>	<u>20</u>	<u>16,326,013</u>	<u>23</u>
8300 <b>OTHER COMPREHENSIVE INCOME (LOSS) :</b>				
8325 Unrealized losses on available-for-sale financial assets	(3,043)	-	(11,955)	-
8360 Actuarial losses on defined benefit plans	(17,260)	-	(19,946)	-
8380 Share of other comprehensive income of subsidiaries and associates accounted for using equity method	89,290	-	(22,879)	-
8399 Income tax generated from other comprehensive income	<u>2,934</u>	-	<u>3,391</u>	-
8300 <b>OTHER COMPREHENSIVE INCOME (AFTER TAX)</b>	<u>71,921</u>	-	<u>(51,389)</u>	-
8500 <b>COMPREHENSIVE INCOME</b>	<u>\$ 15,655,368</u>	<u>20</u>	<u>16,274,624</u>	<u>23</u>
<b>EARNINGS PER SHARE(Note 6(t))</b>				
9750 <b>BASIC</b>	<u>\$ 5.79</u>		<u>6.07</u>	
9850 <b>DILUTED</b>	<u>\$ 5.78</u>		<u>6.06</u>	

**TAIWAN MOBILE CO., LTD.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

	Retained Earnings					Other Equity Interest		Treasury Shares	Total Equity
	Ordinary Share	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-Sale Financial Assets		
<b>BALANCE, JANUARY 1, 2012</b>	\$ 34,208,328	12,431,851	16,715,018	821,741	15,297,352	34,231	321,987	(31,077,183)	48,753,325
Effects of retrospective application and retrospective restatement	-	-	-	-	5,424,092	-	-	-	5,424,092
Balance after adjustments	34,208,328	12,431,851	16,715,018	821,741	20,721,444	34,231	321,987	(31,077,183)	54,177,417
Profit for the year ended December 31, 2012	-	-	-	-	16,326,013	-	-	-	16,326,013
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	(35,197)	(8,748)	(7,444)	-	(51,389)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	16,290,816	(8,748)	(7,444)	-	16,274,624
Appropriation and distribution of retained earnings(Note1)									
Legal reserve	-	-	1,346,876	-	(1,346,876)	-	-	-	-
Cash dividends	-	-	-	-	(13,880,952)	-	-	-	(13,880,952)
Reversal of special reserve	-	-	-	(821,741)	821,741	-	-	-	-
<b>BALANCE, DECEMBER 31, 2012</b>	<b>\$ 34,208,328</b>	<b>12,431,851</b>	<b>18,061,894</b>	<b>-</b>	<b>22,606,173</b>	<b>25,483</b>	<b>314,543</b>	<b>(31,077,183)</b>	<b>56,571,089</b>
Profit for the year ended December 31, 2013	-	-	-	-	15,583,447	-	-	-	15,583,447
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	(735)	(535)	73,191	-	71,921
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	15,582,712	(535)	73,191	-	15,655,368
Appropriation and distribution of retained earnings (Note2)									
Legal reserve	-	-	1,469,160	-	(1,469,160)	-	-	-	-
Cash dividends	-	-	-	-	(14,526,578)	-	-	-	(14,526,578)
Legal reserve used to distribute cash dividends	-	-	(269,010)	-	-	-	-	-	(269,010)
Changes in equity of associates accounted for using equity method	-	25,040	-	-	-	-	-	-	25,040
Adjustments arising from changes in percentage of ownership of subsidiaries	-	-	-	-	(22,015)	-	-	-	(22,015)
<b>BALANCE, DECEMBER 31, 2013</b>	<b>\$ 34,208,328</b>	<b>12,456,891</b>	<b>19,262,044</b>	<b>-</b>	<b>22,171,132</b>	<b>24,948</b>	<b>387,734</b>	<b>(31,077,183)</b>	<b>57,433,894</b>

Note 1 : 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.

Note 2 : The remuneration to directors of \$39,667 thousand and the bonus to employees of \$396,673 thousand have been expensed and deducted from 2012 earnings.

**TAIWAN MOBILE CO., LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

(NT\$'000)

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	\$ 16,587,653	18,308,190
<b>Adjustments</b>		
Adjustments to reconcile profit (loss)		
Share of profits of subsidiaries and associates accounted for using equity method	(9,862,077)	(6,018,873)
Depreciation expense	7,008,086	6,961,099
Amortization expense	994,221	1,022,316
Loss on disposal of property, plant and equipment, net	1,285,754	561,972
Interest expense	444,094	386,107
Provision for bad debt expense	286,698	286,414
Interest income	(38,975)	(35,379)
Dividend income	(11,628)	(11,869)
Unrealized profit from sales	33,405	-
Others	-	(8,652)
Total adjustments to reconcile profit (loss)	139,578	3,143,135
Changes in operating assets and liabilities		
Accounts and notes receivable	(941,074)	(2,958,768)
Accounts receivable due from related parties	(1,704,873)	8,676
Other receivables	211,472	533,814
Other receivables due from related parties	(542,393)	(512,248)
Inventories	(334,014)	(519,013)
Prepayments	(15,923)	(263,276)
Other current assets	1,900	(568)
Accounts payable	(733,372)	1,374,333
Accounts payable to related parties	25,757	29,411
Other payables	488,164	160,594
Provisions	(5,845)	(12,899)
Advance receipts	(294,734)	117,540
Other current liabilities	419,300	206,717
Accrued pension liabilities	860	(25,776)
Total changes in operating assets and liabilities	(3,424,775)	(1,861,463)
Net cash inflows generated from operating activities	13,302,456	19,589,862
Interest paid	(1,134)	(85)
Income taxes paid	(1,103,859)	(1,726,173)
<b>Net cash flows from operating activities</b>	<b>12,197,463</b>	<b>17,863,604</b>

**TAIWAN MOBILE CO., LTD.**  
**STATEMENTS OF CASH FLOWS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

(NT\$'000)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Acquisition of concession license	(29,010,000)	-
Acquisition of computer software	(138,300)	(77,877)
Acquisition of property, plant and equipment	(6,751,831)	(5,537,904)
Increase in prepayments for equipment	(137,989)	(130,288)
Acquisition of investments accounted for using equity method	(1,153,350)	(5,424,450)
Decrease in financing provided to investees	4,190,000	4,274,000
Increase in financing provided to investees	(4,445,000)	(4,784,000)
Increase in refundable deposits	(109,629)	(134,061)
Decrease in refundable deposits	88,819	88,298
Proceeds from disposal of computer software	20,394	1
Proceeds from disposal of property, plant and equipment	33,005	-
Interest received	33,085	34,516
Dividend received	5,240,570	3,413,300
Increase in other financial assets	(720)	-
<b>Net cash used in investing activities</b>	<b>(32,140,946)</b>	<b>(8,278,465)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Increase in short-term borrowings	71,900,000	70,800,000
Decrease in short-term borrowings	(44,400,000)	(76,800,000)
Proceeds from issuance of bonds	5,796,043	8,995,117
Repayment of bonds	(4,000,000)	(4,000,000)
Repayment of financing from investee	(7,400,000)	(7,235,000)
Proceeds from financing from investee	7,270,000	14,035,000
Increase in short-term notes and bills payable	3,894,957	2,098,198
Decrease in short-term notes and bills payable	(1,498,542)	(2,997,447)
Proceeds from long-term borrowings	3,000,000	-
Cash dividends paid	(14,795,584)	(13,880,940)
Decrease in guarantee deposits received	(126,859)	(71,570)
Increase in guarantee deposits received	119,069	121,524
Interest paid	(369,233)	(372,184)
<b>Net cash flows from (used in) financing activities</b>	<b>19,389,851</b>	<b>(9,307,302)</b>

**NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS**

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR**

	1,155,355	877,518
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<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 601,723</b>	<b>1,155,355</b>
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**Taiwan Mobile Co., Ltd.**  
**2013 Earnings Distribution Proposal**

Unit: NT\$

Item	Amount
Unappropriated retained earnings as of December 31, 2012	25,297,311
Adjustment from the accounting policy change	7,172,771,384
Effects of the adoption of IFRS	(587,634,157)
Actuarial losses of 2013	(735,045)
Effects of the ownership change in the subsidiary	(22,014,625)
Net Income of 2013	15,583,447,479
Legal reserve (10%)	(2,275,621,886)
Earnings available for distribution	19,895,510,461
Appropriation:	
Cash dividends (Note 1)	(15,064,599,077)
Unappropriated retained earnings balance	4,830,911,384

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\$420,753,082 and remuneration to directors will be NT\$ 42,075,308.

## Articles of Incorporation

### - Before and After Amendments for Comparison

Article	Amended	Original	Comment
2	<p>The scope of business of the Company shall be:</p> <p>1. F401021 Regulated Telecom Radio Frequency Equipment and Materials Import;</p> <p>2. G901011 Type I Telecommunications Enterprise;</p> <p>3. G902011 Type II Telecommunications Enterprise;</p> <p><b><u>4. I301040 Third-Party Payment;</u></b></p> <p><b><u>5. I301020 Data Processing Services;</u></b></p> <p><b><u>6. J303010 Magazine and Periodical Publication;</u></b></p> <p><b><u>7. J304010 Book Publishers;</u></b></p> <p><b><u>8. J305010 Audio Tape and Record Publishers;</u></b></p> <p><b><u>9. J399010 Software Publication;</u></b></p> <p><b><u>10. J399990 Other Publishers Not Elsewhere Classified;</u></b></p> <p><b><u>11. ZZ99999 Any other business (other than those approved by the relevant authorities) not prohibited or restricted by law.</u></b></p>	<p>The scope of business of the Company shall be:</p> <p>1. F401021 Regulated Telecom Radio Frequency Equipment and Materials Import;</p> <p>2. G901011 Type I Telecommunications Enterprise;</p> <p>3. G902011 Type II Telecommunications Enterprise;</p> <p>4. ZZ99999 Any other business (other than those approved by the relevant authorities) not prohibited or restricted by law.</p>	<p>Add the scope of business</p>
34	<p>These Articles of Incorporation were agreed to and signed on 30 January 1997. ...</p> <p>The twenty-first amendment was made on 15 June 2011.</p> <p>The twenty-second amendment was made on 22 June 2012.</p> <p>The twenty- third amendment was made on 21 June 2013.</p> <p><b><u>The twenty- fourth amendment was made on 12 June 2014.</u></b></p>	<p>These Articles of Incorporation were agreed to and signed on 30 January 1997. ...</p> <p>The twenty-first amendment was made on 15 June 2011.</p> <p>The twenty-second amendment was made on 22 June 2012.</p> <p>The twenty- third amendment was made on 21 June 2013.</p>	<p>Add the amendment sequence number, and the date of the latest amendment to the Articles of Incorporation</p>



## **Articles of Incorporation**

### **Chapter I General Provisions**

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

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

1. F401021 Regulated Telecom Radio Frequency Equipment and Materials Import;
2. G901011 Type I Telecommunications Enterprise;
3. G902011 Type II Telecommunications Enterprise;
4. I301040 Third-Party Payment
5. I301020 Data Processing Services
6. J303010 Magazine and Periodical Publication
7. J304010 Book Publishers
8. J305010 Audio Tape and Record Publishers
9. J399010 Software Publication
10. J399990 Other Publishers Not Elsewhere Classified
11. 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.

The twenty- fourth amendment was made on 12, June 2014.

## Rules and Procedures for Acquisition or Disposal of Assets

### (the "Procedures")

#### Before and After Amendments for Comparison

Article	Amended	Original	Explanation
3	<p>The term "assets" as used in the Procedures includes the following:</p> <ol style="list-style-type: none"> <li>1. (omitted)</li> <li>2. Real property <b><u>(including land, houses and buildings, investment property, and rights to use land)</u></b> and <b><u>equipment.</u></b></li> </ol> <p>3 to 7 (omitted)</p>	<p>The term "assets" as used in the Procedures includes the following:</p> <ol style="list-style-type: none"> <li>1. (omitted)</li> <li>2. Real property <del>and other fixed assets</del></li> </ol> <p>3 to 7 (omitted)</p>	<p>Wording amendment in compliance with International Financial Reporting Standards (IFRS)</p>
4	<p>Terms used in the Procedures are defined as follows:</p> <ol style="list-style-type: none"> <li>1. (omitted)</li> <li>2. Assets acquired or disposed of through mergers, spin-offs, acquisitions, or transfer of shares in accordance with the law: Refers to assets acquired or disposed of through mergers, spin-offs, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph <b><u>8</u></b> of the Company Act.</li> <li>3. Related party <b><u>or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</u></b></li> <li>4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value</li> </ol>	<p>Terms used in the Procedures are defined as follows:</p> <ol style="list-style-type: none"> <li>1. (omitted)</li> <li>2. Assets acquired or disposed of through mergers, spin-offs, acquisitions, or transfer of shares in accordance with the law: Refers to assets acquired or disposed of through mergers, spin-offs, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph <del>6</del> of the Company Act.</li> <li>3. Related party: <del>As defined in the Statements of Financial Accounting Standards No. 6 published by Accounting Research and Development Foundation (ARDF).</del></li> <li>4. <del>Subsidiary: As defined in the Statements of Financial Accounting Standards No. 5 and No. 7 published by ARDF.</del></li> <li>5. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value</li> </ol>	<p>Amendment in compliance with IFRS, the definition of related party and subsidiary shall refer to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>

	<p>appraisal of real property <b>or equipment</b>.</p> <p>5. Date of occurrence: (omitted)</p> <p>6. Mainland China area investment: (omitted)</p>	<p>appraisal of real property <del>or other fixed assets</del>.</p> <p>6. Date of occurrence: (omitted)</p> <p>7. Mainland China area investment: (omitted)</p>	
7	<p>The following items shall be specified in the Procedures:</p> <p>1. The Scope of assets: (omitted)</p> <p>2. Appraisal procedures:</p> <p>(1) Acquisition or disposal of securities: (i) to (ii) omitted.</p> <p>(2) Acquisition or disposal of real property <b>and equipment</b>.</p> <p>(i) Appraisal: (omitted)</p> <p>(ii) Price decision methods:</p> <p>A. (omitted)</p> <p>B. The acquisition or disposal of <b>equipment</b> shall be carried out by one of the following methods: price comparison, price negotiation, or bidding.</p> <p>((3) to (6) omitted)</p> <p>3. Operating procedures:</p> <p>(1) The amount and levels of authority delegated: Any acquisition and disposal of assets by the Company shall be resolved by the board of directors except for the following circumstances:</p> <p>((i) to (iii) omitted)</p> <p>(2) Implementation department:</p> <p>(i) Investment of securities in long term and short term: (omitted)</p> <p>(ii) Real property, <b>equipment</b>, membership and intangible assets: the departments which use and manage these assets.</p> <p>((iii) to (iv) omitted)</p> <p>4. (omitted)</p> <p>5. Total investment amount of the Company and each subsidiary:</p> <p>(1) Except for investment professionals, the total amounts of real property and <b>equipment</b> acquired by the Company or each subsidiary for non-business</p>	<p>The following items shall be specified in the Procedures:</p> <p>1. 1. Scope of assets: (omitted)</p> <p>2. Appraisal procedures:</p> <p>(1) Acquisition or disposal of securities: (i) to (ii) omitted.</p> <p>(2) Acquisition or disposal of real property <del>and other fixed assets</del>.</p> <p>(i) Appraisal: (omitted)</p> <p>(ii) Price decision methods:</p> <p>A. (omitted)</p> <p>B. The acquisition or disposal of <del>other fixed assets</del> shall be carried out by one of the following methods: price comparison, price negotiation, or bidding.</p> <p>((3) to (6) omitted)</p> <p>3. Operating procedures:</p> <p>(1) The amount and levels of authority delegated: Any acquisition and disposal of assets by the Company <del>which in compliance with the criteria of public announcement and filing</del> shall be resolved by the board of directors except for the following circumstances:</p> <p>((i) to (iii) omitted)</p> <p>(2) Implementation department:</p> <p>(i) Investment of securities in long term and short term: (omitted)</p> <p>(ii) Real property, <del>other fixed assets</del>, membership and intangible assets: the departments which use and manage these assets.</p> <p>((iii) to (iv) omitted)</p> <p>4. (omitted)</p> <p>5. Total investment amount of the Company and each subsidiary:</p> <p>(1) Except for investment professionals,</p>	<p>Amendment in compliance with IFRS.</p>

	<p>use shall not exceed 30% of the total assets of the Company or each subsidiary at the time of purchase.</p> <p>((2) to (3) omitted)</p> <p>6 to 7 (omitted)</p>	<p>the total amounts of real property and <del>other fixed assets</del> acquired by the Company or each subsidiary for non-business use shall not exceed 30% of the total assets of the Company or each subsidiary upon the purchase occurs.</p> <p>((2) to (3) omitted)</p> <p>6 to 7 (omitted)</p>	
9	<p>In acquiring or disposing of real property or <b>equipment</b> where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300,000,000 or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of the occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(1 to 2 omitted)</p> <p>3. Any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the <b>foundation constituted as a juristic person in Taiwan -- Accounting Research and Development Foundation (ARDF)</b> and render a specific opinion regarding the reasons for the discrepancy and the appropriateness of the transaction price:</p> <p>((1) to (2) omitted)</p> <p>4. (omitted)</p>	<p>In acquiring or disposing of real property or <del>other fixed assets</del> where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300,000,000 or more, the Company, unless transacting with a government agency, engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of the occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(1 to 2 omitted)</p> <p>3. Any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation and render a specific opinion regarding the reasons for the discrepancy and the appropriateness of the transaction price:</p> <p>((1) to (2) omitted)</p> <p>4. (omitted)</p>	Amendment in compliance with IFRS.
11	<p>Where the Company acquires or disposes of membership or intangible assets and the transaction amount reaches 20% or more of the paid-in capital or NT\$300,000,000 or more, <b><u>except in transactions with a</u></b></p>	<p>Where the Company acquires or disposes of membership or intangible assets and the transaction amount reaches 20% or more of the paid-in capital or NT\$300,000,000 or</p>	Add words to indicate that transactions with a government

	<p><b>government agency</b>, the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>more, the company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>agency are not necessary to engage a CPA to render an opinion on the reasonableness of the transaction price.</p>
13	<p>When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that necessary resolutions be adopted and the reasonableness of the transaction terms be evaluated, if the transaction amount reaches 10% or more of the company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section.</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with <b>Article</b> 11-1 herein. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationships shall also be considered.</p>	<p>When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that necessary resolutions be adopted and the reasonableness of the transaction terms be evaluated, if the transaction amount reaches 10% or more of the company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section.</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with <del>Article</del> 11-1 herein. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationships shall also be considered.</p>	<p>Amendment in words.</p>
14	<p>When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of the paid-in capital, 10% or more of the Company's total assets, or NT\$300,000,000 or more, <b><u>except in the trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds</u></b>, subject to mutatis mutandis application of paragraphs 2, 3 and 4 of Article 6, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all Audit Committee members, and then submitted to the board of directors for a resolution: (1 to 7 omitted)</p>	<p>When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of the paid-in capital, 10% or more of the Company's total assets, or NT\$300,000,000 or more, subject to mutatis mutandis application of paragraphs 2, 3 and 4 of Article 6, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all Audit Committee members, and then submitted to the board of directors for a resolution: (1 to 7 omitted)</p>	<p>Add words to indicate that trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds with a related party have lower risk and such activities may not be submitted to Audit Committee and board of directors for a resolution.</p>

	<p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with paragraph 2 of Article 30 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the transaction. The amounts approved by the board of directors and ratified by the Audit Committee can be excluded from the calculation.</p> <p>With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Company's board of directors may pursuant to subparagraph 3, paragraph 1 of Article 7, delegate the chairman to decide such matters when the transaction is less than NT\$300,000,000 and have the decisions subsequently ratified at the next board of directors meeting.</p>	<p>The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with paragraph 2 of Article 30 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the transaction. The amounts approved by the board of directors and ratified by the Audit Committee can be excluded from the calculation.</p> <p>With respect to the acquisition or disposal of business-use <del>machinery</del> and equipment between the Company and its subsidiaries, the Company's board of directors may pursuant to subparagraph 3, paragraph 1 of Article 7, delegate the chairman to decide such matters when the transaction is less than NT\$300,000,000 and have the decisions subsequently ratified at the next board of directors meeting.</p>	
15	<p>The Company that acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means: (1 to 2 omitted)</p> <p>Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 14 and the preceding three paragraphs do not apply: (1 to 2 omitted)</p> <p>3. The real property is acquired through signing of a joint development contract with the related party, <b><u>or through engaging a related party to build real property, either on the Company's own land or on leased land.</u></b></p>	<p>The Company that acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means: (1 to 2 omitted)</p> <p>Where the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 14 and the preceding three paragraphs do not apply: (1 to 2 omitted)</p> <p>3. The real property is acquired through signing of a joint development contract with the related party.</p>	<p>Amend words to indicate that building real property through engaging a related party on the Company's own land or on leased land is similar to joint development contract, it may not be applicable to the evaluation process mentioned in this Article.</p>
20	<p>Where the Company engaging in derivatives trading, its board of directors shall faithfully supervise and manage such trading in accordance with the following principles: (1 and 2 omitted)</p> <p>Senior management authorized by the board of directors shall manage derivatives trading in accordance with the following principles: (1 and 2 omitted)</p> <p><b><u>The Company shall report to the earliest meeting of the board of directors after it</u></b></p>	<p>Where the Company engaging in derivatives trading, its board of directors shall faithfully supervise and manage such trading in accordance with the following principles: (1 and 2 omitted)</p> <p>Senior management authorized by the board of directors shall manage derivatives trading in accordance with the following principles: (1 and 2 omitted)</p>	<p>Add words to indicate that it shall report to the earliest board of directors after authorization of the personnel to handle derivatives trading.</p>

	<b><u>authorizes the relevant personnel to handle derivatives trading in accordance with the Procedures for engaging in derivatives trading.</u></b>		
30	<p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in an appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <p>1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, or 10% or more of the Company's total assets, or NT\$300,000,000 or more; provided, this shall not apply to the trading of government bonds or bonds under repurchase and resale agreements, <b><u>or subscription or redemption of domestic money market funds.</u></b></p> <p>(2 to 3 omitted)</p> <p>4. Any asset transactions other than those referred to in the preceding three subparagraphs, or an investment in the mainland China area with amount reaching 20% or more of the paid-in capital or NT\$300,000,000 or more, excluding the following circumstances:</p> <p>(1) Trading of government bonds.  (2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, <b><u>or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.</u></b></p> <p>(3) Trading of bonds under repurchase/resale agreements, <b><u>or subscription or redemption of domestic money market funds.</u></b></p> <p>(4) Where the type of asset acquired or disposed of is equipment for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500,000,000.  (5) Engaging others to build on the</p>	<p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in an appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <p>1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of the paid-in capital, or 10% or more of the Company's total assets, or NT\$300,000,000 or more; provided, this shall not apply to the trading of government bonds or bonds under repurchase and resale agreements.</p> <p>(2 to 3 omitted)</p> <p>4. Any asset transactions other than those referred to in the preceding three subparagraphs, or an investment in the mainland China area with amount reaching 20% or more of the paid-in capital or NT\$300,000,000 or more, excluding the following circumstances:</p> <p>(1) Trading of government bonds.  (2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets.</p> <p>(3) Trading of bonds under repurchase/resale agreements.</p> <p>(4) Where the type of asset acquired or disposed of is equipment/<del>machinery</del> for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500,000,000.  (5) Engaging others to build on the</p>	<p>The nature of subscription or redemption of domestic money market funds is to acquire stable profit, which is similar to bonds under repurchase and resale agreements, and thus, the Company is not required to publicly announce and report the relevant information on the Financial Supervisory Commission's designated website.</p>

	<p>Company's own land, engaging others to build on leased land, joint construction and allocation of housing units, joint construction and allocation of ownership, or joint construction and separate sale, with estimated amount of investment by the Company less than NT\$500,000,000.</p> <p>The amount of transactions above shall be calculated as follows: (1 to 4 omitted)</p>	<p>Company's own land, engaging others to build on leased land, joint construction and allocation of housing units, joint construction and allocation of ownership, or joint construction and separate sale, with estimated amount of investment by the Company less than NT\$500,000,000.</p> <p>The amount of transactions above shall be calculated as follows: (1 to 4 omitted)</p>	
32-2	<p><b><u>For the calculation of 10% of total assets under the Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.</u></b></p> <p>In the case of a company whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20% of the paid-in capital under <b><u>the Procedures</u></b>, 10% of equity attributable to <b><u>owners of the parent company</u></b> shall be substituted.</p>	<p>In the case of a <del>foreign</del> issuer whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20% of the paid-in capital <del>under Articles 9 to 11, 14, 30, and 32</del>, 10% of <del>shareholders'</del> equity shall be substituted.</p>	<p>Amendment in compliance with IFRS. Add paragraph 1 that 10% of total assets shall be calculated according to the most recent parent company only financial report or individual financial report. This amendment reflects the risks are attributable to the company which acquires or disposes of the assets.</p>



**Rules and Procedures for Acquisition or Disposal of Assets**  
**(the “Procedures”)**

Approved on 25 November 1997  
First Amendment on 30 September 1998  
Second Amendment on 22 December 1999  
Third Amendment on 30 April 2001  
Fourth Amendment on 15 November 2001  
Fifth Amendment on 25 June 2003  
Sixth Amendment on 15 June 2004  
Seventh Amendment on 15 June 2006  
Eightieth Amendment on 15 June 2007  
Ninth Amendment on 18 June 2010  
Tenth Amendment on 22 June 2012  
Eleventh Amendment on 12 June 2014

**Chapter I General Principles**

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

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

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

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

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

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is

derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.

2. Assets acquired or disposed of through mergers, spin-offs, acquisitions, or transfer of shares in accordance with the law: Refers to assets acquired or disposed of through mergers, spin-offs, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

Article 5 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall not be a related party of any party to the transaction.

## **Chapter II Disposition Procedures**

### **Section I Establishment of Disposition Procedures**

Article 6 The Procedures for the acquisition and disposal of assets shall be adopted after approved by more than half of all Audit Committee members, and then submitted to the board of directors for a resolution. After the Procedures have been approved by the board of directors, they shall be

submitted to a shareholders' meeting for approval; the same applies when the Procedures are amended. If any director expresses dissent which is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Audit Committee.

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

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

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

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

1. The scope of assets: refer to Article 3 of the Procedures.
2. Appraisal procedures:
  - (1) Acquisition or disposal of securities:
    - (i) Appraisal: the financial and accounting departments shall evaluate the reasonableness of the transaction with consideration of the book value per share, profitability, future development potential and market price.
    - (ii) Price decision methods:
      - A. The securities transacted on a centralized exchange market or OTC market, the prices shall be decided by the listed price or market price at the time of transaction.
      - B. The securities not transacted on a centralized exchange market or OTC market, the price decision shall refer to financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant.
      - C. The bonds not transacted on a centralized exchange market or OTC market, the price decision shall refer to the market interest rate, coupon rate of the bond and bond issuer's credit.
  - (2) Acquisition or disposal of real property and equipment:
    - (i) Appraisal: the application department shall issue a report to relevant departments to evaluate the necessity and reasonableness.
    - (ii) Price decision methods:

- A. In the event that the Company acquires or disposes of the real property, the price decision shall refer to publicly announced current value, appraisal value, the actual transaction price of neighboring real property, or appraisal report issued by a professional appraiser.
  - B. The acquisition or disposal of equipment shall be carried out by one of the following methods: price comparison, price negotiation, or bidding.
- (3) Acquisition or disposal of membership and intangible assets:
- (i) Appraisal: the application department shall issue a report to relevant departments to review the necessity and reasonableness.
  - (ii) Price decision methods: the price decision shall refer to the market price at the time of transaction and the net present value for the potential return of the assets.
- (4) Related party transactions: refer to Section 3 of the Procedures.
- (5) Engaging in derivatives trading: refer to Section 4 of the Procedures.
- (6) Mergers, spin-offs, acquisitions and transfer of shares: refer to Section 5 of the Procedures
3. Operating procedures:
- (1) The amount and levels of authority delegated: Any acquisition and disposal of assets by the Company shall be resolved by the board of directors except for the following circumstances:
    - (i) The Company may delegate the chairman to decide such matters when a single transaction does not exceed NT\$300,000,000, subject to ratifications at the next board meeting.
    - (ii) The Company may delegate the chairman to decide such matters when the purpose of acquisition or disposal is for short-term fund allocation (including but not limited to the transaction of short-term securities, bonds under repurchase and resale agreements, bond fund, money market fund, principal guaranteed structured deposit).
    - (iii) The stipulation of amount and levels of authority delegated for the derivatives trading shall be effective after approved by the board of directors.
  - (2) Implementation department:
    - (i) Investment of securities in long-term and short-term: financial and accounting departments.
    - (ii) Real property, equipment, membership and intangible assets: the departments which use and manage these assets.
    - (iii) Derivatives: financial and accounting departments.
    - (iv) Assets acquired or disposed of through mergers, spin-offs, acquisitions, or transfer of shares in accordance with law: project team.
4. Public announcement and regulatory filing procedures: refer to Chapter III of the Procedures.
5. Total investment amounts of the Company and each subsidiary
- (1) Except for investment professionals, the total amounts of real property and equipment acquired by the Company or each subsidiary for non-business use shall not exceed 30% of the total assets of the Company or each subsidiary at the time of purchase.

- (2) Except for investment professionals, the total amounts of securities investment purchased by the Company or each subsidiary shall not exceed 100% of the total assets of the Company or each subsidiary at the time of purchase.
- (3) Except for investment professionals, the total amounts of individual securities purchased by the Company or each subsidiary shall not exceed its book value at the time of purchase.
6. The Company shall supervise the acquisition or disposal implemented by the subsidiaries. The supervision and management shall comply with the Company's related regulations or each subsidiary's "Rules and Procedures for Acquisition or Disposal of Assets".
7. In the event that the related person who fails to comply "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" or the Procedures, the Company shall dispose in accordance with internal operating regulations.

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

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

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

## **Section II Acquisition or Disposal of Assets**

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

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

appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the foundation constituted as a juristic person in Taiwan -- Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reasons for the discrepancy and the appropriateness of the transaction price:

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

Article 10 The Company, acquiring or disposing of securities, shall, prior to the date of the occurrence of the event, obtain financial statements of the target companies for the most recent period, certified or reviewed by a certified public accountant, for reference in evaluating the transaction price, and if the amount of the transaction is 20% of the Company's paid-in capital or NT\$300,000,000 or more, the Company shall additionally engage a certified public accountant (CPA) prior to the date of the occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the CPA needs to use the report of a financial advisor as a reference, the CPA shall do so in accordance with the provisions of the Statement of Auditing Standards No. 20 published by the ARDF. This requirement does not apply, however, to publicly traded securities that have an active market, or where otherwise provided by regulations of the competent securities authority.

Article 11 Where the Company acquires or disposes of membership or intangible assets and the transaction amount reaches 20% or more of the paid-in capital or NT\$300,000,000 or more, except in transactions with a government agency, the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.

Article 11-1 The transaction amounts referred to in the preceding three articles shall be calculated in accordance with paragraph 2 of Article 30 herein, and "within the preceding year" as used herein refers to the

year preceding the date of occurrence of the transaction. The amounts due to professional appraisers for the appraisal report and CPA for the CPA's opinions can be excluded from the calculation.

Article 12 Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or the CPA opinion.

### **Section III Related Party Transactions**

Article 13 When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that necessary resolutions be adopted and the reasonableness of the transaction terms be evaluated according to the provisions of the preceding Section and this Section, if the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section.

The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 11-1 herein.

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

Article 14 When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20% or more of the paid-in capital, 10% or more of the Company's total assets, or NT\$300,000,000 or more, except in the trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, subject to mutatis mutandis application of paragraphs 2, 3 and 4 of Article 6, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all Audit Committee members, and then submitted to the board of directors for a resolution:

1. The purpose, necessity and estimated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as a trading counterparty.
3. With respect to the acquisition of real property from a related party, information regarding evaluation of the reasonableness of the pre-determined transaction terms in accordance with Articles 15 and 16.
4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.

5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other major terms associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with paragraph 2 of Article 30 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the transaction. The amounts approved by the board of directors and ratified by the Audit Committee can be excluded from the calculation.

With respect to the acquisition or disposal of business-use equipment between the Company and its subsidiaries, the Company's board of directors may pursuant to subparagraph 3, paragraph 1 of Article 7, delegate the chairman to decide such matters when the transaction is less than NT\$300,000,000 and have the decisions subsequently ratified at the next board of directors meeting.

Article 15 The Company that acquires real property from a related party shall evaluate the reasonableness of the transaction costs by the following means:

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

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

The Company that acquires real property from a related party and appraises the cost of the real property in accordance with paragraphs 1 and 2 shall also engage a CPA to check the appraisal and render a specific opinion.

Where the Company acquires real property from a related party and one of the following

circumstances exists, the acquisition shall be conducted in accordance with Article 14 and the preceding three paragraphs do not apply:

1. The related party acquired the real property through inheritance or as a gift.
2. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
3. The real property is acquired through the signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the Company's own land or on leased land.

Article 16 When the results of the Company's appraisal conducted in accordance with paragraphs 1 and 2 of the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 17. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, this restriction shall not apply:

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

Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of

no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property.

Article 17 Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Articles 15 and 16 are uniformly lower than the transaction price, the following steps shall be taken:

1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company.
2. The Audit Committee shall comply with Article 218 of the Company Act.
3. Actions taken pursuant to subparagraphs 1 and 2 shall be reported to a shareholders meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

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

When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.

#### **Section IV Engaging in Derivatives Trading**

Article 18 The Company engaging in derivatives trading shall pay strict attention to control of the following important risk management and auditing matters, and incorporate them into the Procedures:

1. Trading principles and strategies:
  - (1) Types of derivatives that may be traded: the Company may engage any derivatives as defined in paragraph 1, Article 4 of the Procedures.

- (2) Operating or hedging strategies: according to the purpose of acquisition or issuance, the derivatives trading may be categorized as derivatives for hedge purpose and derivatives for transaction purpose.
- (3) Segregation of duties:
- (i) Accounting department: shall be responsible for creating the journal of the transaction, confirming the transaction report, generating accounting documents/vouchers and finalizing the accounting statements.
  - (ii) Financial department: the financial department shall:
    - A. acknowledge the market information, determine the trend and risks, clearly understand the derivatives, the related laws and regulations, and provide sufficient and prompt information to relevant departments.
    - B. evaluate the total amount of the Company's foreign exchange transactions and other hedge requirements, avoid potential risks according to the Company's policy, and fasten the costs and profits. The financial department shall control every derivatives transaction and assess the loss and profit which has not been realized subject to the market price.
    - C. calculate the cash flow in compliance with the credit line offered by the bank to assist financial personnel to make the settlement.
    - D. be responsible for drafting or modifying the relevant procedures of derivatives transactions, summarizing and managing the transaction records periodically reported by the Company and subsidiaries to make monthly public announcement.
  - (iii) Audit department: shall make periodical and non-periodical inspection pursuant to internal audit regulations.
- (4) Essentials of performance evaluation: the accounting department shall evaluate the net balance, provide the report of foreign exchange transaction to the competent supervisors as the reference of management and performance assessment in order to adjust and improve the hedge policy.
- (5) Total amount of derivatives contracts that may be traded:
- (i) Total amount of hedge product transactions: shall be limited to the maximum amount of estimated assets or debts that the Company may acquire or generate now and within following six months. If the hedge product transactions exceed the maximum amount, it shall submit to the board of directors for approval.
  - (ii) Total amount of transaction products: the Company shall not engage the trade of transaction products unless approved by the board of directors.
- (6) Maximum loss limit on total trading and for individual contracts: Except the hedge product transactions, the maximum amount of transaction risk in an individual contract shall not exceed US\$ 100,000, the maximum loss amount and stop loss limit of the whole transactions/contracts shall not exceed US\$ 1,000,000 or other currency in equivalent

amount. Any alternation of the content in this article shall be approved by the board of directors.

2. Risk management measures: pursuant to Article 19 of the Procedures.
3. Internal audit system: pursuant to paragraph 2, Article 21 of the Procedures.
4. Regular evaluation methods and the handling of irregular circumstances: pursuant to the relevant articles of the Procedures.

Article 19 The Company engaging in derivatives trading shall adopt the following risk management measures:

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

Article 20 Where the Company engaging in derivatives trading, its board of directors shall faithfully

supervise and manage such trading in accordance with the following principles:

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

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

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

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

Article 21 The Company engaging in derivatives trading shall establish a log book in which details of the types and amounts of derivatives trading engaged in, board of directors approval dates, and the matters required to be carefully evaluated under subparagraph 4 of Article 19 and subparagraph 2 of paragraph 1, and subparagraph 1 of paragraph 2, of Article 20 shall be recorded in detail in the log book.

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

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

Article 22 The Company that conducts a merger, spin-off, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.

Article 23 In the event that the Company participating in a merger, spin-off, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual content and matters relevant to the merger, spin-off, or acquisition prior to the shareholders meeting and include it along with the expert opinion referred to in paragraph 1 of the preceding Article when sending shareholders notification of the shareholders meeting for reference in deciding whether to approve the merger, spin-off, or acquisition. Provided, where a provision of another act exempts a company from convening a shareholders meeting to approve the merger, spin-off, or acquisition, this restriction shall not apply.

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

Article 24 A company participating in a merger, spin-off, or acquisition shall convene a board of directors meeting and shareholders meeting on the day of the transaction to resolve matters relevant to the merger, spin-off, or acquisition, unless another act provides otherwise or the competent securities authority is notified in advance of extraordinary circumstances and grants consent.

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

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

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

When participating in a merger, spin-off, acquisition, or transfer of shares where shares are listed on an exchange or traded on an OTC market, within 2 days immediately from the date of passage of a resolution by the board of directors, report (in the prescribed format and via the Internet-based

information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph shall be sent to the FSC for review.

Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares where shares are neither listed on an exchange nor traded on an OTC market, the Company(s) so listed or traded shall sign an agreement with such company whereby the latter is required to abide by the provisions of paragraphs 3 and 4.

Article 25 Every person participating in or privy to the plan for merger, spin-off, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, spin-off, acquisition, or transfer of shares.

Article 26 The Company participating in a merger, spin-off, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, spin-off, acquisition, or transfer of shares:

1. Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity based securities.
2. An action, such as a disposal of major assets, that affects the Company's financial operations.
3. An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
4. An adjustment where any of the companies participating in the merger, spin-off, acquisition, or transfer of shares from another company, buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, spin-off, acquisition, or transfer of shares.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 27 The contract for participation by the Company in a merger, spin-off, acquisition, or of shares shall record the rights and obligations of the companies participating in the merger, spin-off, acquisition, or transfer of shares, and shall also record the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
3. The amount of treasury stock participating companies are permitted under law to buy back

after the record date of calculation of the share exchange ratio, and the principles for handling thereof.

4. The manner of handling changes in the number of participating entities or companies.
5. Preliminary progress schedule for plan execution, and anticipated completion date.
6. Scheduled date for convening the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 28 After public disclosure of the information, if any company participating in the merger, spin-off, acquisition, or transfer of shares intends further to carry out a merger, spin-off, acquisition, or transfer of shares with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, spin-off, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders meeting has adopted a resolution authorizing the board of directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.

Article 29 Where any of the companies participating in a merger, spin-off, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by the provisions of Articles 24, 25, and 28.

### **Chapter III Public Disclosure of Information**

Article 30 Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in an appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:

1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20% or more of the paid-in capital, or 10% or more of the Company's total assets, or NT\$300,000,000 or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.
2. Merger, spin-off, acquisition, or transfer of shares.
3. Losses from derivatives trading reaching the limits of aggregate losses or losses on individual contract set out in the procedures adopted by the Company.
4. Any asset transactions other than those referred to in the preceding three subparagraphs, or an investment in the mainland China area with amount reaching 20% or more of the paid-in capital or NT\$300,000,000 or more, excluding the following circumstances:

- (1) Trading of government bonds.
- (2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant regulations.
- (3) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.
- (4) Where the type of asset acquired or disposed of is equipment for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500,000,000.
- (5) Engaging others to build on the Company's own land, engaging others to build on leased land, joint construction and allocation of housing units, joint construction and allocation of ownership, or joint construction and separate sale, with estimated amount of investment by the Company less than NT\$500,000,000.

The amount of transactions above shall be calculated as follows:

1. The amount of any individual transaction.
2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.

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

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

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

The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company's headquarters, where they shall be retained for 5 years except where another act provides otherwise.

Article 31 Where any of the following circumstances occurs with respect to a transaction that the Company

has already announced publicly and reported in accordance with the preceding article, a public announcement of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:

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

#### **Chapter IV Additional Provisions**

Article 32 Information required to be publicly announced and reported in accordance with the provisions of Chapter III on acquisitions and disposals of assets by a subsidiary of the Company that is not itself a public company in Taiwan shall be reported by the Company.

Where the subsidiaries of the Company are required to make public announcements due to reaching 20% of the paid-in capital or 10% of total assets, in accordance with paragraph 1 of Article 30, the Company's paid-in capital and total assets shall be applied as the bases.

Article 32-1 The Company has established the Audit Committee in accordance with the provisions of the Securities and Exchange Act, the provisions set out in subparagraph 2, paragraph 1 of Article 17 shall apply mutatis mutandis to the independent directors of the Audit Committee.

Article 32-2 For the calculation of 10% of total assets under the Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

In the case of a company whose shares have no par value or a par value other than NT\$10, for the calculation of transaction amounts of 20% of the paid-in capital under the Procedure, 10% of equity attributable to owners of the parent company shall be substituted.

Article 33 The Procedures shall be effective from the date approved by the shareholders' meeting.



### **Rules for Election of the Directors**

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

- Article 1 These Regulations are duly enacted in accordance with Article 21 of the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” in an effort to incorporate a fair, just, and open procedure for the election of directors.
- Article 2 The election of the Company’s directors, unless otherwise provided in the applicable laws, regulations, or the Articles of Incorporation, shall be conducted in accordance with these Regulations.
- Article 3 The election of the Company’s directors shall take into account the arrangement of the board of directors. The board members shall have the necessary knowledge, skill, and experience for performing their duties. The board of directors shall have the following abilities:
1. judgment on operations
  2. accounting and financial analysis
  3. business management
  4. crisis management
  5. industrial knowledge
  6. global view
  7. leadership
  8. decision making
- Article 4 (Delete)
- Article 5 The independent directors of the Company shall meet one of the following professional qualification requirements, together with at least five years working experience:
1. An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college, or university;
  2. A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company.
  3. Working experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.

A person to whom any of the following circumstances applies may not serve as an independent director, or if already serving in such capacity, shall ipso facto be dismissed:

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

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

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

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

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

Article 7 The election of the directors of the Company is subject to the provisions of Article 192-1 of the Company Act in that a candidate nomination system shall be adopted, that such system shall be expressly stated in the Articles of Incorporation of the Company,

and that shareholders shall elect directors from among those listed in the slate of director candidates.

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

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

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

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

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

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

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

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

reasons.

- Article 8 The Company's directors shall be elected by means of single-named cumulative ballots method. Each share is entitled to have votes equivalent to the number of directors to be elected, and the number of votes may be used to elect one candidate or be allocated among several candidates.
- Article 9 According to the seats set forth in the Articles of Incorporation, the voting rights for the independent directors or non-independent directors shall be counted separately. In the election of the directors, the candidates who acquired more votes should win the seats; and, if two or more persons receive the same number of votes, resulting in the total number of persons to be elected exceeding the number specified in the Company's Articles of Incorporation, those persons who have received the same number of votes shall draw straws to decide who is elected. If any person who has received the same number of votes as others, but is absent at the meeting, the chairman shall draw the straw on the absent person's behalf.
- Article 10 Before beginning of the election, the chairman shall designate a certain number of persons who are also shareholders to check, count ballots and perform the relevant duties. The ballot box used for voting shall be prepared by the board of directors and checked in public by the person assigned to check the ballots before voting.
- Article 11 The Board of Directors shall prepare the election ballots which equal to the number of directors to be elected with the number of voting rights. The ballots shall be given to the shareholders present at the shareholders' meeting. In the election of directors, the names of the voters may be represented by their shareholder number.
- Article 12 If the candidate is a shareholder of this Company, electors shall fill in the "candidate" column the candidate's name and shareholder's number on each ballot. If the candidate is not a shareholder, electors shall fill in the candidate's name and ID number. If the candidate is a government agency or a legal entity, the full name of the government agency or the legal entity or the name of the representative should be filled in the column. If there are more than one representative, the full names of the representatives should be filled in separately.
- Article 13 A ballot shall be construed as null and void under the following conditions:
1. The elector has failed to use the ballot prepared by the board of directors.
  2. Blank ballots not completed by the voter.
  3. The writing is unclear and illegible.
  4. If the candidate is a shareholder of the Company, the name or shareholder's number of the candidate filled in the ballot is inconsistent with the shareholders' register. If the candidate is not a shareholder of this Company, the name or ID number of the candidate filled in the ballot is incorrect.
  5. Ballots with other written characters in addition to candidate's name, shareholder's number (ID number) and the number of votes cast for the candidate.

6. The name of the candidates filled in the ballots being the same as another candidate's name and the respective shareholder's numbers (ID numbers) not being indicated to distinguish them.

Article 14 The ballots should be calculated during the meeting right after the voting and the results (the list of new directors) of the election should be announced by the chairman at the meeting.

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

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