



**Taiwan Mobile Co., Ltd.**

## **2016 Annual General Shareholders' Meeting**

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### **Agenda (Translation)**

**June 15, 2016**

*Note to Readers:*

*If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language version shall prevail.*

# Table of Contents

**Meeting Agenda**

**Proposed Resolution**

**Report Items**

**Proposed Resolutions**

**Special Motions**

## *Attachments*

- I. Articles of Incorporation- Before and After Amendments for Comparison and Completed Articles
- II. 2015 Business Report
- III. Audit Committee Report
- IV. 2015 Consolidated Financial Statements
- V. Earnings Distribution Proposal
- VI. Rules and Procedures of Lending and Making Endorsements/Guarantees - Before and After Amendments for Comparison and Completed Articles

## *Appendixes*

- I. Shares Owned by Directors
- II. Articles of Incorporation
- III. Rules and Procedures Governing Shareholders' Meeting



## **Meeting Agenda**

Time: Wednesday, June 15, 2016 at 9:00 a.m.

Place: B2, No. 108, Sec. 1, Dunhua S. Rd., Taipei City  
(Fubon International Conference Center)

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

## **Proposed Resolution**

### **1. To approve revisions to the Articles of Incorporation**

To meet the regulatory and operational requirements, Taiwan Mobile (the Company) proposed the following revisions:

- (1) In compliance with the amendment of Article 235 and Article 235-1 of the Company Act and Ministry of Economic Affairs' interpretation No. 10402413890 released on June 11, 2015, the Company proposed to stipulate the ratio of annual profits as employee bonuses and directors compensation in Article 30-1 of the Articles of Incorporation and delete the Article 31 related to the employee bonuses and director compensation distributed from earnings.
- (2) The directors' compensation (including independent directors) has been stipulated in Article 27-3 of the Company's Articles of Incorporation, Article 27-2 was proposed to be deleted accordingly.

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

Resolution:

## **Report Items**

**1. The 2015 Business Report**

The 2015 Business Report is attached hereto as Attachment II. (page 16-17)

**2. The 2015 Audit Committee Report**

The 2015 Audit Committee Report is attached hereto as Attachment III. (page 18-19)

**3. The distribution of 2015 employees' profit sharing bonuses and directors' compensation**

The 2015 employees' profit sharing bonuses and directors' compensation are NT\$454,756,761 and NT\$ 45,475,676, respectively, which had been approved by the Board on January 29, 2016 and the total amounts will be distributed in cash.

**4. Integrated Report of Corporate Social Responsibility**

To strengthen the Company's sustainability and business strategies to cope with international trends, the Integrated Report of Corporate Social Responsibility will be released starting 2016.

## **Proposed Resolutions**

### **1. To accept the 2015 Business Report and Financial Statements**

The Company's 2015 financial statements were audited by certified public accountants, Li-Wen Kuo and Kwan-Chung Lai, of Deloitte & Touche and were approved at the board meeting on January 29, 2016. The 2015 Business Report, CPA's audit report, and financial statements are attached hereto as Attachments II and IV.

Resolution:

### **2. To ratify the proposal for the distribution of the 2015 retained earnings**

- (1) The Company's 2015 net income was NT\$15,686,186,313 (please see Attachment V for the 2015 Earnings Distribution Proposal).
- (2) Cash dividend proposed by the Board is NT\$15,243,654,866 or NT\$5.6 per share. 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 shares of dividends from the Company. Deducting 698,751,601 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 2,722,081,226. Total amount of cash dividend paid to each shareholder shall be rounded down to the nearest whole number. In addition, the sum of the fractional balance, i.e. less than NT\$1, will be recognized as the Company's other income. It is proposed that the Chairman be authorized to set a record date for distribution and make relevant adjustments, if any, based on the total number of shares outstanding on the record date.

Resolution:

### **3. To approve revisions to the Rules and Procedures of Lending and Making Endorsements/Guarantees**

To make the provisions more comprehensive, the Company proposed the following revisions:

- (1) Clearly define the business amounts for lending funds and making endorsements/guarantees to other parties.
- (2) If the entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, subsequent monitoring and control measures shall be specified.

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

Resolution:

## **Special Motions**

## **Meeting Adjourned**

## ATTACHMENTS

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**Articles of Incorporation**  
**- Before and After Amendments for Comparison**

Article	Amended	Original	Comment
27-2	(Deleted)	<u>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.</u>	Deletion of Article 27-2 due to the directors' compensation has been stipulated in Article 27-3.
30-1	<u>If the Company has profits in a fiscal year, it shall set aside 1% to 3% of the profits as employee bonuses and not more than 0.3% of the profits as director compensation. However, if the Company has accumulated losses, it shall first reserve a certain amount for offsetting losses, then allocate for the employee bonuses and director compensation proportionally from the remaining amount.</u> <u>Qualification requirements of employees entitled to receive shares or cash set for in the above paragraph shall be applied to the employees of subsidiaries who meet certain requirements.</u>	(Added)	Adding the ratio of annual profits as employee bonuses and director compensation in compliance with the amendment of the Article 235-1 of the Company Act and with reference to the Ministry of Economic Affairs' interpretation No. 10402413890 released on 11 June, 2015.

31	<p>In the event that the Company, according to the final settlement, earns profits in a fiscal year, such profits shall first be <u>set aside to pay the applicable taxes</u>, offset losses, set aside for Legal Reserve pursuant to laws and regulations, <u>unless the Legal Reserve has reached the Company's total paid-in capital. The remaining profits</u> shall be set aside for special reserve in accordance with the laws, regulations, or the business requirements. <u>Any further remaining profits plus unappropriated earnings shall be distributed in accordance with the proposal submitted by the Board for approval at a shareholders' meeting.</u></p>	<p>In the event that the Company, according to the final settlement, earns profits in a fiscal year, such profits shall first be <u>applied to pay the applicable taxes</u>, offset losses, set aside for Legal Reserve pursuant to laws and regulations, and set aside for special reserve in accordance with the laws, regulations or the business requirements. Any <u>balance left shall be applied to the following items:</u></p> <p>(1) <del>Remuneration of Directors, not exceeding 0.3%;</del>  (2) <del>Employee bonuses in the sum of 1% to 3%;</del>  (3) <u>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.</u></p> <p><del>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.</del></p>	<p>Deletion the provisions related to employee bonuses and director compensation distributed from earnings in compliance with the deletion of paragraph 2, 3 and 4 of Article 235 of the Company Act and with reference to the Ministry of Economic Affairs' interpretation No. 10402413890 released on 11 June, 2015.</p>
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34	<p>These Articles of Incorporation were agreed to and signed on 30 January 1997. ...</p> <p>The twenty- third amendment was made on 21 June 2013.</p> <p>The twenty- fourth amendment was made on 12 June 2014.</p> <p><u>The twenty- fifth amendment was made on 15 June 2016.</u></p>	<p>These Articles of Incorporation were agreed to and signed on 30 January 1997. ...</p> <p>The twenty- third amendment was made on 21 June 2013.</p> <p>The twenty- fourth amendment was made on 12 June 2014.</p>	<p>Adding the amendment sequence number, and the date of the latest amendment to the Articles of Incorporation</p>
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**Taiwan Mobile Co., Ltd.**

## 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** (Deleted)

**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 30-1** If the Company has profits in a fiscal year, it shall set aside 1% to 3% of the profits as employee bonuses and not more than 0.3% of the profits as director compensation. However, if the Company has accumulated losses, it shall first reserve a certain amount for offsetting losses, then allocate for the employee bonuses and director compensation proportionally from the remaining amount.

Qualification requirements of employees entitled to receive shares or cash set for in the above paragraph shall be applied to the employees of subsidiaries who meet certain requirements.

**Article 31** In the event that the Company, according to the final settlement, earns profits in a fiscal year, such profits shall first be set aside to pay the applicable taxes, offset losses, set aside for legal reserve pursuant to laws and regulations, unless the legal reserve has reached the Company's total paid-up capital. The remaining profits shall be set aside for special reserve in accordance with the laws, regulations, or the business requirements. Any further remaining profits plus unappropriated earnings shall be distributed in accordance with the proposal submitted by the Board, for approval at a shareholders' meeting.

**Article 31-1** The Company adopts a dividend distribution policy whereby only surplus profits of the Company shall be distributed to shareholders. That is, only the surplus profits, after setting aside amounts for retained earnings based on the Company's capital budget plan, shall be distributed as cash dividend. The value of stock dividend in a particular year shall not be more than 80% of the value of dividend distributed for that year. The amount of the distributable dividend, the forms in which dividend shall be distributed and the ratios thereto, shall depend on the actual profits and cash positions of the Company and shall be approved by resolutions of the Board, who shall, upon such approval, recommend the same to the shareholders for approval by resolution at the shareholders' meetings.

**Article 32** The internal organization and the detailed procedures relevant to the business operation of the Company shall be separately determined by the Board.

**Article 33** Matters not specifically provided for in these Articles of Incorporation shall be governed by the Company Act and any other relevant laws.

**Article 34** The Articles of Incorporation were agreed to and signed on January 30, 1997.  
The first amendment was made on February 18, 1997.  
The second amendment was made on February 22, 1997.  
The third amendment was made on April 2, 1997.

The fourth amendment was made on August 30, 1997.  
The fifth amendment was made on December 12, 1997.  
The sixth amendment was made on March 21, 1998.  
The seventh amendment was made on June 23, 1998.  
The eighth amendment was made on February 3, 1999.  
The ninth amendment was made on June 22, 1999.  
The tenth amendment was made on March 6, 2000.  
The eleventh amendment was made on March 30, 2001.  
The twelfth amendment was made on March 30, 2001.  
The thirteenth amendment was made on April 26, 2002.  
The fourteenth amendment was made on June 25, 2003.  
The fifteenth amendment was made on June 15, 2004.  
The sixteenth amendment was made on June 14, 2005.  
The seventeenth amendment was made on June 15, 2006.  
The eighteenth amendment was made on June 15, 2007, except for the Article 7-2,  
which shall be effective on January 1, 2008  
The nineteenth amendment was made on June 13, 2008.  
The twentieth amendment was made on June 19, 2009.  
The twenty-first amendment was made on June 15, 2011.  
The twenty-second amendment was made on June 22, 2012.  
The twenty- third amendment was made on June 21, 2013.  
The twenty- fourth amendment was made on 12, June 2014.  
The twenty- fifth amendment was made on 15, June 2016.



**Taiwan Mobile Co., Ltd.**

### **Business Report**

Armed with the largest contiguous 4G spectrum, Taiwan Mobile (“TWM” or “the Company”) continued to lead its peers in 2015, providing the best network coverage and the fastest download speed for mobile internet services. This, coupled with a wide selection of 4G smartphones and 4G rate plans, helped TWM to accumulate 3 million subscribers within one-and-a-half years after the launch of its 4G services, with its 4G penetration rate for postpaid subscribers hitting a high 43% by the end of 2015. The Company also boosted its 4G spectrum and network utilization rate by providing roaming services to a peer to accelerate its 4G investment’s payback period. Given the Company’s ample network capacity and the medium to long-term prospects of the government releasing more spectrums, TWM withdrew from the 2.6GHz spectrum auction when bidding prices exceeded their fair market value. All these efforts demonstrate TWM’s commitment to maximizing its shareholders’ interests.

Taiwan Mobile reported a 2015 consolidated revenue of NT\$116.1bn and EBITDA of NT\$32.3bn, both of which rose 3% YoY. Net income increased 5% from a year ago to NT\$15.7bn. EPS came in at NT\$5.76, exceeding its full-year guidance by 14%. Earnings grew briskly on the back of a better-than-expected performance from its 4G operations, steady profit contribution from its cable TV business, lower non-operating expenses and one-off gains. As a result, the Company again outperformed its peers in delivering the highest EPS in 2015.

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

#### 1. World-class corporate governance

Taiwan Mobile is committed to maintaining integrity as its 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 ranked among the top 5% of listed companies in the “Corporate Governance Assessment” conducted by the Taiwan Stock Exchange and the Taipei Exchange. TWM was also selected for the fourth time as a member of the Dow Jones Sustainability Indices’ (the world’s first and most widely used global sustainability benchmarks) Emerging Markets Index.

#### 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 gained wide recognition. Last year, the Company received for the eighth time the “Corporate Social Responsibility Award” from *Global Views Monthly* and “Excellence in Corporate Social Responsibility” by *CommonWealth* magazine. It was also awarded top honors for the second year in a row by the Taiwan Institute for Sustainable Energy Research, receiving the following recognitions – “Taiwan’s Top 10 Role Model Company for Sustainability,” the “Integrity and Transparency Award,” the “Role Model Award for Community Service and Outreach” and “Taiwan’s Top 50 Corporate Sustainability Report

Award – Gold Award in Telecom Sector.” In addition, the Company’s 2013 and 2014 corporate social responsibility reports received the International Standards on Assurance Engagements’ 3000 certification, the first and the only telecom operator to do so in Taiwan.

### 3. Premium services and customer satisfaction

With customer care as its core value, TWM offers premium customer services. Last year, it received for the fourth time a Qualicert certification from the Swiss firm SGS for its direct store channels and customer service system, and the “Trusted Brand Gold Award” from *Reader’s Digest* for the 12th consecutive year. In addition, TWM’s 4G download speed ranked No. 1 in speed tests independently conducted by the *Apple Daily* and *Next Magazine*. The Company also outperformed its peers by delivering the fastest 3G download speed in 12 counties/cities out of a total of 22, according to the results of a National Communications Commission speed test announced on March 4, 2015. Furthermore, TWM’s 3G/4G networks topped customer satisfaction rates in a survey conducted by Insightxplorer Market Research.

The Taiwan telecom market is expected to move toward a healthier environment, with a fair usage policy and pay per use pricing as effective utilization of limited network resources and a sound tiered pricing structure ensure the telecom industry’s sustainability. In addition to leveling up revenue growth momentum, the Company will exercise stringent cost controls, including on expenditures such as handset subsidies. Cash savings from payments for 2.6GHz spectrum concession, capital expenditure and related operating expenses will be used to boost the Company’s marketing flexibility and accelerate the monetization of its 4G investments ahead of its peers. TWM is confident of striking a balance between consumers’ needs and shareholders’ expectations and realizing its target of maximizing shareholders’ profit with solid operating results.



Richard M. Tsai  
Chairman



Taiwan Mobile Co., Ltd.

## Audit Committee Report

Date: January 28, 2016

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2015 financial statements to the Audit Committee. The CPA firm, Deloitte & Touche, was retained by the Board to audit TWM's financial statements and has issued an audit report relating to the financial statements. The 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 2016 Annual General Meeting for ratifications.

Taiwan Mobile Co., Ltd.

A handwritten signature in black ink that reads "T.M. Chung".

Tsung-Ming Chung  
Chairman of the Audit Committee



**Taiwan Mobile Co., Ltd.**

## **Audit Committee Report**

April 28, 2016

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's business report and proposal for distribution of the 2015 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 2016 Annual General Meeting for ratifications.

Taiwan Mobile Co., Ltd.

Tsung-Ming Chung

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

Chairman of the Audit Committee

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**The 2015 Consolidated Financial Statements**  
**Independent Auditors' Report**

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

We have audited the accompanying consolidated balance sheet of Taiwan Mobile Co., Ltd. and subsidiaries (the "Group") as of December 31, 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2015. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our audits. The consolidated financial statements of the Group as of December 31, 2014, and for the year then ended have been audited by other auditors, who have issued an unqualified audit report dated January 29, 2015. However, as stated in Note 3 to the consolidated financial statements, starting from January 1, 2015, the Group prepares its consolidated financial statements in accordance with the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards, International Accounting Standards, Interpretations of International Financial Reporting Standards, and Interpretations of IASs ("2013 IFRSs"), which were endorsed by the Financial Supervisory Commission ("FSC") of Taiwan, the Republic of China ("ROC") and had taken effect on January 1, 2015, and had adjusted the consolidated financial statements as of and for the year ended December 31, 2014 for the adjustments arising from the retrospective application of the aforementioned amended regulations and 2013 IFRSs (the "Adjustments"). The predecessor auditors have not reissued their audit report on the aforementioned adjusted consolidated financial statements. Therefore, we have performed necessary audit procedures on the Adjustments to the aforementioned 2014 consolidated financial statements that resulted from the retrospective application of the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and 2013 IFRSs. In our opinion, the Adjustments referred to above are appropriate and have been properly applied.

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 ROC. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated statements 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 the Group as of December 31, 2015, and the consolidated results of their operations and their consolidated cash flows for the year ended December 31, 2015, in conformity with the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and 2013 IFRSs, which were endorsed by the FSC of ROC.

As stated in Note 3 to the consolidated financial statements, effective January 1, 2015, the Group adopted the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and 2013 IFRSs, which were endorsed by the FSC of ROC and had taken effect on January 1, 2015, and had adjusted the consolidated financial statements as of and for the year ended December 31, 2014 for the Adjustments on the retrospective application of the amended Regulations Governing the Preparation of Financial Reports by Securities Issuers and 2013 IFRSs.

The separate financial statements of Taiwan Mobile Co., Ltd. as of and for the years ended December 31, 2015 and 2014 have been audited by us and other auditors, who have issued a modified unqualified and an

unqualified audit report, respectively.

January 29, 2016

Note to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, consolidated results of operations, and consolidated cash flows in accordance with accounting principles and practices generally accepted in Taiwan, 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 Taiwan, 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 Taiwan, 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, 2015 AND 2014**

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

ASSETS	December 31, 2015		December 31, 2014 (Retrospective Application)		LIABILITIES AND EQUITY	December 31, 2015		December 31, 2014 (Retrospective Application)	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 6 and 34)	\$ 8,579,422	5	\$ 7,903,777	5	Short-term borrowings (Note 19)	\$ 14,220,938	9	\$ 18,900,000	12
Available-for-sale financial assets (Notes 7 and 34)	1,028,132	1	2,213,757	1	Short-term notes and bills payable (Note 19)	10,793,487	7	5,593,031	4
Held-to-maturity financial assets	-	-	6	-	Accounts and notes payable	6,410,405	4	7,782,276	5
Accounts and notes receivable, net (Notes 5 and 9)	15,640,120	10	14,990,240	10	Accounts payable due to related parties (Note 34)	91,486	-	79,392	-
Accounts receivable due from related parties (Note 34)	62,103	-	34,561	-	Other payables (Note 34)	11,273,991	7	12,310,967	8
Other receivables (Note 34)	1,178,226	1	1,000,549	1	Current tax liabilities	1,876,908	1	2,114,614	1
Inventories (Note 10)	4,188,213	3	3,210,988	2	Provisions (Note 23)	166,217	-	217,083	-
Prepayments (Note 34)	439,628	-	486,343	-	Advance receipts (Note 20)	2,288,795	2	2,264,612	2
Other financial assets (Notes 34 and 35)	3,003,099	2	2,967,826	2	Long-term liabilities, current portion (Notes 22 and 34)	10,267,891	7	2,208,218	2
Other current assets	39,846	-	26,657	-	Other current liabilities	1,842,100	1	1,998,735	1
Total current assets	<u>34,158,789</u>	<u>22</u>	<u>32,834,704</u>	<u>21</u>	Total current liabilities	<u>59,232,218</u>	<u>38</u>	<u>53,468,928</u>	<u>35</u>
<b>NON-CURRENT ASSETS</b>					<b>NON-CURRENT LIABILITIES</b>				
Financial assets at fair value through profit or loss	158,322	-	-	-	Bonds payable (Note 21)	14,795,938	9	14,794,293	10
Available-for-sale financial assets (Note 7)	2,664,478	2	3,480,153	2	Long-term borrowings (Notes 22 and 34)	11,682,472	7	13,182,326	9
Financial assets at cost (Note 8)	192,700	-	192,652	-	Provisions (Note 23)	1,231,244	1	1,014,349	1
Debt instrument investment without active market	359,062	-	500,000	-	Deferred tax liabilities (Notes 5 and 27)	2,014,310	1	2,688,568	2
Investments accounted for using equity method (Notes 5, 12 and 34)	1,584,362	1	897,246	1	Net defined benefit liabilities (Note 26)	274,636	-	136,782	-
Property, plant and equipment (Notes 5 and 15)	47,247,121	30	47,066,319	31	Guarantee deposits	797,787	1	820,504	-
Investment properties, net (Note 16)	330,165	-	354,208	-	Other non-current liabilities (Note 24)	765,344	1	933,611	-
Concessions (Notes 17 and 35)	40,445,341	26	39,103,292	26	Total non-current liabilities	<u>31,561,731</u>	<u>20</u>	<u>33,570,433</u>	<u>22</u>
Goodwill (Notes 5 and 17)	15,845,930	10	15,845,930	10	Total liabilities	<u>90,793,949</u>	<u>58</u>	<u>87,039,361</u>	<u>57</u>
Other intangible assets, net (Notes 5 and 17)	6,111,153	4	6,219,622	4	<b>EQUITY ATTRIBUTABLE TO OWNERS OF PARENT</b>				
Deferred tax assets (Notes 5 and 27)	811,782	1	885,173	1	(Note 28)				
Other financial assets (Notes 34, 35 and 36)	109,366	-	271,574	-	Common stock	34,208,328	22	34,208,328	22
Other non-current assets (Notes 18 and 34)	6,067,102	4	5,888,820	4	Capital surplus	14,586,376	9	14,715,830	10
Total non-current assets	<u>121,926,884</u>	<u>78</u>	<u>120,704,989</u>	<u>79</u>	Retained earnings				
					Legal reserve	23,038,209	15	21,537,666	14
					Special reserve	302,986	-	-	-
					Unappropriated earnings	18,311,104	12	19,805,941	13
					Other equity interests	(1,173,954)	(1)	(302,986)	-
					Treasury shares	(29,717,344)	(19)	(29,717,344)	(20)
					Total equity attributable to owners of parent	59,555,705	38	60,247,435	39
					NON-CONTROLLING INTERESTS (Note 28)	5,736,019	4	6,252,897	4
					Total equity	<u>65,291,724</u>	<u>42</u>	<u>66,500,332</u>	<u>43</u>
<b>TOTAL</b>	<u>\$ 156,085,673</u>	<u>100</u>	<u>\$ 153,539,693</u>	<u>100</u>	<b>TOTAL</b>	<u>\$ 156,085,673</u>	<u>100</u>	<u>\$ 153,539,693</u>	<u>100</u>

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

(NT\$'000, except for EPS)

	2015		2014 (Retrospective Application)	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 30 and 34)	\$ 116,144,205	100	\$ 112,623,879	100
OPERATING COSTS (Notes 34 and 39)	<u>79,785,135</u>	<u>69</u>	<u>75,097,542</u>	<u>67</u>
GROSS PROFIT FROM OPERATIONS	<u>36,359,070</u>	<u>31</u>	<u>37,526,337</u>	<u>33</u>
OPERATING EXPENSES (Notes 34 and 39)				
Marketing	12,820,487	11	12,979,678	11
Administrative	<u>5,074,014</u>	<u>4</u>	<u>4,944,960</u>	<u>4</u>
Total operating expenses	<u>17,894,501</u>	<u>15</u>	<u>17,924,638</u>	<u>15</u>
NET OTHER INCOME AND EXPENSES	<u>304,580</u>	<u>-</u>	<u>110,111</u>	<u>-</u>
OPERATING INCOME	<u>18,769,149</u>	<u>16</u>	<u>19,711,810</u>	<u>18</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 31 and 34)	448,789	-	541,030	-
Other gains and losses, net (Notes 31 and 34)	(388,633)	-	(780,195)	(1)
Finance costs (Notes 31 and 34)	(730,917)	-	(601,834)	-
Share of profit (loss) of associates accounted for using equity method (Note 12)	<u>67,562</u>	<u>-</u>	<u>(4,639)</u>	<u>-</u>
Total non-operating income and expenses	<u>(603,199)</u>	<u>-</u>	<u>(845,638)</u>	<u>(1)</u>
PROFIT BEFORE TAX	18,165,950	16	18,866,172	17
INCOME TAX EXPENSE (Note 27)	<u>1,997,921</u>	<u>2</u>	<u>3,233,829</u>	<u>3</u>
PROFIT FROM CONTINUING OPERATIONS	16,168,029	14	15,632,343	14
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 11 and 34)	<u>-</u>	<u>-</u>	<u>(78,329)</u>	<u>-</u>
PROFIT	<u>16,168,029</u>	<u>14</u>	<u>15,554,014</u>	<u>14</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that are not to be reclassified to profit or loss				
Re-measurements from defined benefit plans	(133,738)	-	(18,726)	-
Share of other comprehensive income (loss) of associates accounted for using equity method	(1,275)	-	-	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation	(12,254)	-	14,226	-
Unrealized gains (losses) on available-for-sale financial assets	(907,330)	(1)	(763,588)	(1)
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>(36,512)</u>	<u>-</u>	<u>47,120</u>	<u>-</u>
Other comprehensive loss (after tax)	<u>(1,091,109)</u>	<u>(1)</u>	<u>(720,968)</u>	<u>(1)</u>
COMPREHENSIVE INCOME	<u>\$ 15,076,920</u>	<u>13</u>	<u>\$ 14,833,046</u>	<u>13</u>
PROFIT ATTRIBUTABLE TO:				
Owners of parent	\$ 15,686,186	14	\$ 15,006,337	14
Non-controlling interests	<u>481,843</u>	<u>-</u>	<u>547,677</u>	<u>-</u>
	<u>\$ 16,168,029</u>	<u>14</u>	<u>\$ 15,554,014</u>	<u>14</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of parent	\$ 14,681,379	13	\$ 14,272,725	13
Non-controlling interests	<u>395,541</u>	<u>-</u>	<u>560,321</u>	<u>-</u>
	<u>\$ 15,076,920</u>	<u>13</u>	<u>\$ 14,833,046</u>	<u>13</u>
EARNINGS PER SHARE				
Basic (Note 29)				
Basic earnings per share from continuing operations	\$ 5.76		\$ 5.57	
Basic loss per share from discontinued operations	<u>-</u>		<u>(0.01)</u>	
Total basic earnings per share	<u>\$ 5.76</u>		<u>\$ 5.56</u>	
Diluted (Note 29)				
Diluted earnings per share from continuing operations	\$ 5.75		\$ 5.56	
Diluted loss per share from discontinued operations	<u>-</u>		<u>(0.01)</u>	
Total diluted earnings per share	<u>\$ 5.75</u>		<u>\$ 5.55</u>	

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

(NTS'000, except for per share amounts)

	Equity Attributable to Owners of Parent					Other Equity Interests			Total	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Retained Earnings			Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares			
			Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE, JANUARY 1, 2014	\$ 34,208,328	\$ 12,456,891	\$ 19,262,044	\$ -	\$ 22,171,132	\$ 24,948	\$ 387,734	\$(31,077,183)	\$ 57,433,894	\$ 1,086,747	\$ 58,520,641
Effects of retrospective application and retrospective adjustment	-	-	-	-	(13,363)	-	-	-	(13,363)	-	(13,363)
RETROSPECTIVE APPLICATION BALANCE, JANUARY 1, 2014	<u>34,208,328</u>	<u>12,456,891</u>	<u>19,262,044</u>	<u>-</u>	<u>22,157,769</u>	<u>24,948</u>	<u>387,734</u>	<u>(31,077,183)</u>	<u>57,420,531</u>	<u>1,086,747</u>	<u>58,507,278</u>
Distribution of 2013 earnings	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	2,275,622	-	(2,275,622)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(15,064,599)	-	-	-	(15,064,599)	-	(15,064,599)
Total distribution of earnings	-	-	<u>2,275,622</u>	<u>-</u>	<u>(17,340,221)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,064,599)</u>	<u>-</u>	<u>(15,064,599)</u>
Profit for the year ended December 31, 2014	-	-	-	-	15,006,337	-	-	-	15,006,337	547,677	15,554,014
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	(17,944)	6,346	(722,014)	-	(733,612)	12,644	(720,968)
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	<u>14,988,393</u>	<u>6,346</u>	<u>(722,014)</u>	<u>-</u>	<u>14,272,725</u>	<u>560,321</u>	<u>14,833,046</u>
Changes in equity of associates accounted for using equity method	-	1,665	-	-	-	-	-	-	1,665	(258)	1,407
Disposal of TWM's shares by subsidiaries	-	1,520,403	-	-	-	-	-	1,359,839	2,880,242	-	2,880,242
Difference between consideration and carrying amount of subsidiaries' shares disposed of	-	85,965	-	-	-	-	-	-	85,965	229,995	315,960
Adjustments arising from changes in percentage of ownership of subsidiaries	-	650,906	-	-	-	-	-	-	650,906	2,864,113	3,515,019
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(224,481)	(224,481)
Effects of obtaining control of subsidiaries	-	-	-	-	-	-	-	-	-	<u>1,736,460</u>	<u>1,736,460</u>
RETROSPECTIVE APPLICATION BALANCE, DECEMBER 31, 2014	<u>34,208,328</u>	<u>14,715,830</u>	<u>21,537,666</u>	<u>-</u>	<u>19,805,941</u>	<u>31,294</u>	<u>(334,280)</u>	<u>(29,717,344)</u>	<u>60,247,435</u>	<u>6,252,897</u>	<u>66,500,332</u>
Distribution of 2014 earnings	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	1,500,543	-	(1,500,543)	-	-	-	-	-	-
Special reserve	-	-	-	302,986	(302,986)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(15,243,655)	-	-	-	(15,243,655)	-	(15,243,655)
Total distribution of earnings	-	-	<u>1,500,543</u>	<u>302,986</u>	<u>(17,047,184)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,243,655)</u>	<u>-</u>	<u>(15,243,655)</u>
Profit for the year ended December 31, 2015	-	-	-	-	15,686,186	-	-	-	15,686,186	481,843	16,168,029
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	(133,839)	(8,908)	(862,060)	-	(1,004,807)	(86,302)	(1,091,109)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	<u>15,552,347</u>	<u>(8,908)</u>	<u>(862,060)</u>	<u>-</u>	<u>14,681,379</u>	<u>395,541</u>	<u>15,076,920</u>
Changes in equity of associates accounted for using equity method	-	11,203	-	-	-	-	-	-	11,203	14,038	25,241
Adjustments arising from changes in percentage of ownership of subsidiaries	-	(140,657)	-	-	-	-	-	-	(140,657)	(255,874)	(396,531)
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	<u>(670,583)</u>	<u>(670,583)</u>
BALANCE, DECEMBER 31, 2015	<u>\$ 34,208,328</u>	<u>\$ 14,586,376</u>	<u>\$ 23,038,209</u>	<u>\$ 302,986</u>	<u>\$ 18,311,104</u>	<u>\$ 22,386</u>	<u>\$ (1,196,340)</u>	<u>\$ (29,717,344)</u>	<u>\$ 59,555,705</u>	<u>\$ 5,736,019</u>	<u>\$ 65,291,724</u>

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

(NTS'000)

	<b>2015</b>	<b>2014</b> <b>(Retrospective Application)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit from continuing operations before tax	\$ 18,165,950	\$ 18,866,172
Loss from discontinued operations before tax	<u>-</u>	<u>(94,363)</u>
Profit before tax	18,165,950	18,771,809
Adjustments		
Depreciation expense	10,576,173	9,721,579
Amortization expense	2,939,619	1,871,429
Gain on disposal of non-current assets held for sale, net	-	(153,706)
Loss on disposal of property, plant and equipment, net	332,085	969,694
Gain on disposal of intangible assets	(47)	-
Provision for bad debt expense	395,016	373,778
Finance costs	730,917	601,834
Interest income	(154,760)	(94,992)
Dividend income	(21,213)	(22,803)
Share-based payments of subsidiaries	-	2,840
Impairment loss on non-financial assets (from discontinued operations)	-	17,794
Share of loss (profit) of associates accounted for using equity method	(67,562)	4,639
Valuation loss on financial assets at fair value through profit or loss	68,618	-
Loss (gain) on disposal of investments, net	(12,437)	168
Gain on foreign exchange, net	(40,004)	(483)
Others	1,629	(593)
Changes in operating assets and liabilities		
Financial assets held for trading	1,478	-
Accounts and notes receivable	(1,234,205)	(1,782,136)
Accounts receivable due from related parties	(27,542)	14,996
Other receivables	(182,688)	(49,560)
Inventories	(977,225)	570,348
Prepayments	55,247	72,751
Other current assets	(4,528)	27,412
Other financial assets	(5,319)	-
Other assets	-	14,266
Accounts and notes payable	(1,371,871)	707,745
Accounts payable due to related parties	12,094	6,312
Other payables	(229,022)	(429,711)
Provisions	91,006	27,444
Advance receipts	24,183	(301,410)
Other current liabilities	(156,635)	459,458
Net defined benefit liabilities	<u>(23,276)</u>	<u>(17,342)</u>
Net cash inflows generated by operating activities	28,885,681	31,383,560
Interest received	1,194	1,510
Interest paid	(601)	(6,291)
Income taxes paid	<u>(3,080,538)</u>	<u>(3,040,263)</u>
Net cash generated by operating activities	<u>25,805,736</u>	<u>28,338,516</u>

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

(NT\$'000)

	<b>2015</b>	<b>2014</b> <b>(Retrospective Application)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	\$ (11,585,672)	\$ (13,569,058)
Acquisition of intangible assets	(4,180,118)	(829,831)
Increase in prepayments for equipment	(288,176)	(304,769)
Acquisition of investments accounted for using equity method	(670,448)	(320,273)
Acquisition of convertible notes	(596,730)	-
Net cash inflows from new consolidated entities	-	1,193,252
Net cash inflows from disposal of subsidiaries	-	14,533
Acquisition of available-for-sale financial assets	-	(4,273,724)
Proceeds from disposal of available-for-sale financial assets	1,192,504	-
Acquisition of financial assets at cost	(2,108)	(60,000)
Proceeds from capital return of financial assets at cost	2,160	45,673
Acquisition of held-to-maturity financial assets	-	(6)
Proceeds from redemption of debt investments with no active market	500,000	-
Proceeds from disposal of non-current assets held for sale	-	250,291
Proceeds from disposal of property, plant and equipment	150,937	5,856
Proceeds from disposal of intangible assets	47	-
Increase in refundable deposits	(1,222,077)	(164,135)
Decrease in refundable deposits	1,219,549	154,372
Increase in other financial assets	(2,127,122)	(2,392,255)
Decrease in other financial assets	2,259,551	447,544
Increase in other non-current assets	-	(3,706)
Interest received	115,539	93,540
Dividend received	<u>52,621</u>	<u>48,142</u>
Net cash used in investing activities	<u>(15,179,543)</u>	<u>(19,664,554)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	74,120,938	119,246,379
Decrease in short-term borrowings	(78,800,000)	(130,955,823)
Increase in short-term notes and bills payable	71,997,631	19,467,020
Decrease in short-term notes and bills payable	(66,794,184)	(16,274,202)
Proceeds from long-term borrowings	8,770,000	10,000,000
Repayment of long-term borrowings	(2,210,000)	(1,105,000)
Increase in guarantee deposits received	388,216	169,229
Decrease in guarantee deposits received	(405,335)	(214,427)
Cash dividends paid (including paid to non-controlling interests)	(15,914,229)	(15,289,071)
Proceeds from disposal of treasury shares	-	2,970,389
Disposal of ownership interests in subsidiaries (without losing control)	-	323,859
Interest paid	(704,786)	(586,873)
Increase (decrease) in non-controlling interests	<u>(397,175)</u>	<u>3,512,800</u>
Net cash used in financing activities	<u>(9,948,924)</u>	<u>(8,735,720)</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS</b>	<u>(1,624)</u>	<u>11,241</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>675,645</u>	<u>(50,517)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>7,903,777</u>	<u>7,954,294</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 8,579,422</u>	<u>\$ 7,903,777</u>



**Taiwan Mobile Co., Ltd.**  
**2015 Earnings Distribution Proposal**

Unit: NT\$

Item	Amount
Unappropriated retained earnings as of December 31, 2014	2,770,673,966
Effects of retrospective application and retrospective restatement	(11,917,427)
Unappropriated retained earnings - Adjusted	2,758,756,539
Actuarial losses of 2015	(133,838,690)
Net income of 2015	15,686,186,313
Legal reserve appropriation (10%)	(1,568,618,631)
Special reserve appropriation	(870,967,796)
Retained earnings available for distribution	15,871,517,735
Appropriation:	
Cash dividends (Note 1)	(15,243,654,866)
Unappropriated retained earnings balance	627,862,869

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

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

Article	Amended	Original	Explanation
9	<p>The Company’s rules and procedures of lending funds are as follows:</p> <p>1. (omitted)</p> <p>2. Evaluation standards for loaning funds to others:</p> <p style="padding-left: 40px;">A. Where funds are loaned for reasons of business dealings: the maximum amount to a single borrower shall be limited to the total business amount between the two companies. The total business amount between the two companies means the purchase amount or sales amount of the goods <u>for the last twelve-month period prior to the time of lending</u>, whichever is higher.</p> <p>(omitted)</p>	<p>The Company’s rules and procedures of lending funds are as follows:</p> <p>1. (omitted)</p> <p>2. Evaluation standards for loaning funds to others:</p> <p style="padding-left: 40px;">A. Where funds are loaned for reasons of business dealings: the maximum amount to a single borrower shall be limited to the total business amount between the two companies. The total business amount between the two companies means the purchase amount or sales amount of the goods, whichever is higher.</p> <p>(omitted)</p>	Clearly define the business amounts.
12	<p>The Company’s operational procedures for endorsements/guarantees are as follows:</p> <p>1. (omitted)</p> <p>2. The total amount of endorsement/guarantee provided by the Company to any individual entity deriving from business relations shall not exceed the total business amount between such party and the Company. <u>The total business amount refers to purchase amount or sales amount of the goods between the parties, whichever is higher, for the last twelve-month period immediately before the time of making the endorsement/guarantee.</u></p> <p>(3 to 10 omitted)</p> <p>11. For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, <u>the Company shall</u></p>	<p>The Company’s operational procedures for endorsements/guarantees are as follows:</p> <p>1. (omitted)</p> <p>2. The total amount of endorsement/guarantee provided by the Company to any individual entity deriving from business relations shall not exceed the total business amount between such party and the Company.</p> <p>(3 to 10 omitted)</p> <p>11. For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its</p>	<p>Clearly define the business amounts.</p> <p>Proactive control measures are required.</p>

	<p><u>proactively monitor the financial, operation, and credit of the subsidiary. If there is any material adverse change in the subsidiary, the Company shall implement control measures including terminating the endorsement/guarantee.</u></p> <p>(omitted)</p>	<p><u>paid-in capital, subsequent monitoring and control measures shall be expressly prescribed.</u></p> <p>(omitted)</p>	
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**Rules and Procedures of Lending and Making Endorsements/Guarantees**  
**(the "operational procedures")**

Approved on June 25, 2003  
First amendment on June 15, 2006  
Second amendment on June 15, 2007  
Third amendment on June 19, 2009  
Fourth amendment on June 18, 2010  
Fifth amendment on June 21, 2013  
Sixth amendment on June 15, 2016

**Chapter I General Provisions**

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

procedures.

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

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

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

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

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

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

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

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

## **Chapter II Formulation of Operation Procedures**

### **Section I Loans of Funds to Others**

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

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

**Article 9**

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

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

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

The borrower shall provide an application form to illustrate the amount of the

loan, lending period, purpose, security/collateral, and other requirements that the Company has requested. The borrower shall provide basic information and financial information to the Company's financial department for evaluation, and the result of evaluation will be submitted for the board of directors' approval.

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

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

## **Section II Endorsements/Guarantees for Others**

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

Where the Company has established the position of independent director, when it submits the operational procedures for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions; the independent directors' opinions specifically

expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.

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

1. Entities for which the Company may make endorsements/guarantees: Pursuant to Article 5 of the operational procedures.
  2. The total amount of endorsement/guarantee provided by the Company to any individual entity deriving from business relations shall not exceed the total business amount between such party and the Company. The total business amount refers to purchase amount or sales amount of the goods between the parties, whichever is higher, for the last twelve-month period immediately before the time of making the endorsement/guarantee.
  3. The aggregate amount the Company is permitted to make in endorsements/guarantees and the maximum amount of endorsements/guarantees for any single entity:
    - A. The aggregate amount of endorsements/guarantees shall not exceed 100 percent of the Company's net worth.
    - B. The aggregate amount of endorsements/guarantees and the maximum amount permitted to a single entity:
      - a. Where an endorsement/guarantee is made due to needs arising from business dealings: the aggregate amount of endorsements/guarantees shall not exceed 100 percent of the Company's net worth. The endorsements/guarantees to a single entity shall be limited to the total amount of trading between the two companies.
      - b. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares: the aggregate amount of endorsements/guarantees shall not exceed 100 percent of the Company's net worth. The endorsements/guarantees to a single entity shall be limited to the total amount of investment by the Company to such single entity. However, for a company in which the Company directly and indirectly holds 100 percent of the voting shares, the amount of endorsements/guarantees to a single entity shall be limited to 200 percent of the total amount invested by the Company to the single entity.
    - C. The aggregate amount of endorsements/guarantees and the maximum amount permitted to a single entity by the Company and its subsidiaries:
      - a. Where an endorsement/guarantee is made due to needs arising from business dealings: the aggregate amount of endorsements/guarantees shall not exceed 100 percent of the Company's net worth. The endorsements/guarantees to a single entity shall be limited to the total amount of trading between the single entity and the Company and its subsidiaries.
      - b. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares: the aggregate amount of endorsements/guarantees shall not exceed 100 percent of the Company's net worth. The endorsements/guarantees to a single entity shall be limited to the total amount of investment by the Company and the subsidiaries to such single entity. However, for a company in which the Company or its subsidiary directly and indirectly holds 100 percent of the voting shares, the amount of endorsements/guarantees to a single entity shall be limited to 200 percent of the total amount invested by the Company and its subsidiary.
- In the event that the aggregate amount of endorsements/guarantees by the

Company and its subsidiaries reaches 50 percent of the Company's net worth or more, an explanation of the necessity and reasonableness thereof shall be given at the shareholders meeting.

4. Procedures for making endorsements/guarantees: the entity for which the endorsement/guarantee is made shall provide an application form of endorsement/guarantee to the Company, and the Company's personnel will evaluate and decide the application according to the review procedures and authorized level.
5. Detailed review procedures, including:
  - A. The necessity of and reasonableness of endorsements/guarantees.
  - B. Credit status and risk assessment of the entity for which the endorsement/guarantee is made.
  - C. The impact on the Company's business operations, financial condition, and shareholders' equity.
  - D. Whether security/collateral must be obtained and appraisal of the value thereof.
6. Procedures for controlling and managing endorsements/guarantees by subsidiaries: The internal auditor of the Company will periodically review the endorsements/guarantees to others by the subsidiaries, audit whether the subsidiaries are complying with the operational procedures and make an audit report.
7. Procedures for use and custody of corporate chops: the Company shall use the corporate chop which is registered with the Ministry of Economic Affairs as the exclusive chop of endorsements/guarantees. This exclusive corporate chop shall be kept by a specific person who is approved by the board of directors, and every sealing or usage of the chop shall comply with the procedures indicated by the Company.

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

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

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

## **Chapter III Case Evaluation**

### **Section I Loans of Funds to Others**

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

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

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

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

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

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

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

### **Section II Endorsements/Guarantees for Others**

**Article 17** Before making an endorsement/guarantee for others, the Company shall carefully

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

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

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

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

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

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

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

## **Chapter IV Information Disclosure**

### **Section I Loans of Funds to Others**

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

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

1. The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
2. The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.
3. The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.

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

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

## **Section II Endorsements/Guarantees for Others**

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

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

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

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

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

#### **Chapter V Supplemental Provisions**

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

# APPENDIXES

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**Shares Owned by Directors**

As of April 17, 2016

Title	Name	Current shareholding	
		Shares	%
Chairman	Fu-Chi Venture Corp. Representative: Richard Tsai	5,748,763	0.17%
Vice-Chairman	Fu-Chi Venture Corp. Representative: Daniel Tsai	5,748,763	0.17%
Independent Director	Jack J.T. Huang	0	0.00%
Independent Director	Tsung-Ming Chung	0	0.00%
Independent Director	Hsueh Jen Sung	0	0.00%
Independent Director	Guu-Chang Yang	0	0.00%
Director	TCC Investment Co., Ltd. Representative: James Jeng	200,496,761	5.86%
Director	TCC Investment Co., Ltd. Representative: Howard Lin	200,496,761	5.86%
Director	Fu-Chi Venture Corp. Representative: Vivien Hsu	5,748,763	0.17%
The total shares owned by the directors are 206,245,524 shares, or 6.03% of the total issued shares.			

Note:

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



### 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.

- (3) General Meetings – General meetings shall be held within 6 months of the end of each fiscal year, and shall be convened by the Board by no less than 30 days' prior notice to the shareholders.
- (4) Extraordinary Meetings – Extraordinary meetings shall be convened in accordance with the relevant laws, by no less than 15 days' prior notice to the shareholders.

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

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

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

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

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

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

### **Chapter IV Directors**

**Article 21** There shall be 9 to 11 Directors of the Company. Directors shall be persons with legal capacity and shall be elected by the shareholders at the shareholders' meeting. The tenure of the offices of the Directors shall be 3 years and the Directors shall be

eligible for re-elections. The election of Directors is adopted by candidate nomination system per Article 192-1 of the Company Act. Not more than half of the Directors of the Company shall have the following relationships among them:

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

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

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

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

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

**Article 23** If any new Directors are not elected in time before the expiration of the tenure of the relevant existing offices of 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:

- (4) Business Report
- (5) Financial Statements
- (6) 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, offset 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 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 profits, after setting aside amounts for retained earnings based on the Company's capital budget plan, shall be distributed as cash dividend. The value of stock dividend in a particular year shall not be more than 80% of the value of dividend distributed for that year. The amount of the distributable dividend, the forms in which dividend shall be distributed and the ratios thereto, shall depend on the actual profits and cash positions of the Company and shall be approved by resolutions of the Board, who shall, upon such approval, recommend the same to the shareholders for approval by resolution at the shareholders' meetings.

**Article 32** The internal organization and the detailed procedures relevant to the business operation of the Company shall be separately determined by the Board.

**Article 33** Matters not specifically provided for in these Articles of Incorporation shall be governed by the Company Act and any other relevant laws.

**Article 34** The Articles of Incorporation were agreed to and signed on January 30, 1997.  
The first amendment was made on February 18, 1997.  
The second amendment was made on February 22, 1997.  
The third amendment was made on April 2, 1997.  
The fourth amendment was made on August 30, 1997.  
The fifth amendment was made on December 12, 1997.  
The sixth amendment was made on March 21, 1998.  
The seventh amendment was made on June 23, 1998.  
The eighth amendment was made on February 3, 1999.  
The ninth amendment was made on June 22, 1999.  
The tenth amendment was made on March 6, 2000.  
The eleventh amendment was made on March 30, 2001.  
The twelfth amendment was made on March 30, 2001.  
The thirteenth amendment was made on April 26, 2002.  
The fourteenth amendment was made on June 25, 2003.  
The fifteenth amendment was made on June 15, 2004.  
The sixteenth amendment was made on June 14, 2005.  
The seventeenth amendment was made on June 15, 2006.  
The eighteenth amendment was made on June 15, 2007, except for the Article 7-2, which shall be effective on January 1, 2008  
The nineteenth amendment was made on June 13, 2008.  
The twentieth amendment was made on June 19, 2009.  
The twenty-first amendment was made on June 15, 2011.  
The twenty-second amendment was made on June 22, 2012.  
The twenty- third amendment was made on June 21, 2013.  
The twenty- fourth amendment was made on 12, June 2014.



Taiwan Mobile Co., Ltd.

### **Rules and Procedures Governing Shareholders' Meeting**

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

#### **Article 1:**

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

#### **Article 2:**

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

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

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

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

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

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

#### **Article 2-1:**

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

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

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

**Article 3:**

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

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

**Article 4:**

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

**Article 5:**

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

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

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

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

**Article 6:**

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

**Article 7:**

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

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

**Article 8:**

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

**Article 9:**

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

**Article 10:**

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

**Article 11:**

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

**Article 12:**

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

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

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

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

**Article 13:**

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

Meeting minutes.

**Article 14:**

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

**Article 15:**

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

**Article 16:**

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

**Article 17:**

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