



Taiwan Mobile Co., Ltd.

2017 Annual General Shareholders' Meeting

Agenda (Translation)

June 14, 2017

Note to Readers:

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

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Agenda of 2017 Annual General Shareholders' Meeting

Time: 9:00 a.m., Wednesday, June 14, 2017

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. Report Items
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6. Meeting Adjourned

Report Items

1. The 2016 Business Report

The 2016 Business Report is attached hereto as Attachment I.

2. The 2016 Audit Committee Report

The 2016 Audit Committee Report is attached hereto as Attachment II.

3. Distribution of the 2016 employees' and directors' compensations

The 2016 employees' and directors' compensations are NT\$468,063,244 and NT\$ 46,806,324, respectively, which had been approved by the Board on January 25, 2017 and the total amounts are distributed in cash.

4. Issuance of the NT\$10bn Unsecured Convertible Bonds in November 2016

(1) To repay bank borrowings and strengthen the Company's financial structure, the board meeting resolved to issue the Third Domestic Unsecured Convertible Bonds (CB) of NT\$10bn on August 18, 2016. The issuance of aforementioned CB was approved by the Financial Supervisory Commission with the Authorization No. 1050043485 on November 7, 2016. The CB has been listed on Taipei Exchange with its funding consummated on November 21, 2017.

(2) The terms, conversions and the use of proceeds from CB issuance are attached hereto as Attachment III.

5. Revisions to the Ethical Corporate Management Best Practice Principles

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

6. The sustainability vision and strategy of CSR

Please refer to Attachment V.

Proposed Resolutions

1. To accept the 2016 Business Report and Financial Statements

Taiwan Mobile's (The Company) financial statements were audited by certified public accountants, Li-Wen Kuo and Kwan-Chung Lai, of Deloitte & Touche. The 2016 Business Report, CPA's audit report, and financial statements are attached hereto as Attachments I and VI.

Resolution:

2. To ratify the proposal for the distribution of the 2016 retained earnings

- (1) The Company's 2016 net income was NT\$15,320,187,297 (please see Attachment VII for the 2016 Earnings Distribution Proposal).
- (2) Cash dividend from retained earnings proposed by the Board is NT\$14,176,599,025. The Company received letters of agreement from TCC Investment Co., Ltd. (TCCI), TCCI Investment & Development Co., Ltd. (TID) and TFN Union Investment Co., Ltd. (TUI) forfeiting their share of dividends from the Company. Deducting 698,751,601 shares collectively owned by TCCI, TID and TUI from the total outstanding shares of 3,420,832,827, the share count entitled to receive dividends is 2,722,081,226, representing NT\$5.208 per share. It is proposed that the Chairman be authorized to set a record date for distribution and make relevant adjustments, if any, based on the total number of shares outstanding on the record date.

Resolution:

3. To approve the cash return from capital surplus

Cash return from capital surplus proposed by the Board is NT\$1,067,055,841. The Company received letters of agreement from TCC Investment Co., Ltd. (TCCI), TCCI Investment & Development Co., Ltd. (TID) and TFN Union Investment Co., Ltd. (TUI) forfeiting their share of cash return from the Company. Deducting 698,751,601 shares collectively owned by TCCI, TID and TUI from the total outstanding shares of 3,420,832,827, the share count entitled to receive dividends is 2,722,081,226, representing NT\$0.392 per share. It is proposed that the Chairman be authorized to set a record date for distribution and make relevant adjustments, if any, based on the total number of shares outstanding on the record date.

Resolution:

4. To approve revisions to the Articles of Incorporation

To add the sale of medical equipment on the Company's myfone online shopping platform as the Company's new business item, the Company proposed revisions to Article 2 of the Articles of Incorporation. Please refer to Attachment VIII for completed articles and the before and after amendments for comparison.

Resolution:

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

In compliance with the Financial Supervisory Commission’s issuing of interpretation No. 1060001296 related to the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” on February 9, 2017, the Company proposed the following revisions:

- (1) A third-party fairness opinion of a merger and acquisition is not required if the M&A occurs within the group, i.e., the Company and its 100%-owned subsidiaries or the merger between the Company’s 100%-owned subsidiaries, resulting from the Group’s re-organization.
- (2) Specifying different sets of criteria for a company with a paid-in capital below NT\$10bn and for one with a paid-in capital of NT\$10bn and above regarding the public announcement and report of a transaction of equipment for business use with a non-related party.

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

Resolution:

6. To elect nine board directors (including four independent directors) for the eighth term

- (1) With the term of the current Board of Directors set to expire, the eighth term of Board of Directors shall be elected at the 2017 AGM.
- (2) Article 21 and 21-1 of the Company’s Articles of Incorporation promulgate that nine to eleven directors (at least three independent directors), with a three-year tenure of office, shall be persons with legal capacity elected by the shareholders at the shareholders’ meeting and shall be determined by a candidate nomination system.
- (3) The eighth term of the Board of Directors with nine directors (including four independent directors) who will hold office from June 14, 2017 to June 13, 2020 shall be elected at the 2017 AGM. The Audit Committee will be composed entirely of independent directors, replacing supervisors.
- (4) The candidate list of directors was reviewed and approved at the board meeting on May 4, 2017.

Director Candidates				
Name	Education	Experience	Current Positions	Shareholding (Shares)
Fu-Chi Investment Co., Ltd. Representative: Daniel M. Tsai	LL.M., Georgetown University LL.B., National Taiwan University	- Chairman, Fubon Financial Holding Co., Ltd. - Chairman, Taipei Fubon Commercial Bank Co., Ltd. - Chairman, Fubon Insurance Co., Ltd.	- Chairman, Taiwan Mobile Co., Ltd. - Vice Chairman, Fubon Financial Holding Co., Ltd. - Managing Director, Taipei Fubon Commercial Bank Co., Ltd. - Chairman, Taiwan Fixed Network Co., Ltd.	5,748,763
Fu-Chi Investment Co., Ltd. Representative:	MBA, Stern School of Business, New York University	- Vice Chairman, Fubon Financial Holding Co., Ltd.	- Chairman, Fubon Financial Holding Co., Ltd.	5,748,763

Richard M. Tsai	BBA, National Taiwan University	<ul style="list-style-type: none"> - Chairman, Fubon Securities Co., Ltd. - Vice Chairman, Taipei Fubon Commercial Bank Co., Ltd. 	<ul style="list-style-type: none"> - Chairman, Fubon Life Insurance Co., Ltd. - Vice Chairman, Taiwan Mobile Co., Ltd. 	
Fu-Chi Investment Co., Ltd. Representative: San-Cheng Chang	<p>Ph.D. in Civil and Environmental Engineering, Cornell University</p> <p>MS in Civil and Environmental Engineering, Stanford University</p> <p>BS in Civil and Engineering, National Taiwan University</p>	<ul style="list-style-type: none"> - Premier/Vice Premier, Executive Yuan - Minister, Ministry of Science and Technology - Minister without Portfolio, Executive Yuan - Regional Director of Hardware Operations in Asia, Google Inc. - Vice President, e-Enabling Services Business Group, Acer Inc. - Director, Department of Planning and Evaluation, National Science Council, Executive Yuan - Director, National Center for High-performance Computing, National Science Council, Executive Yuan 	<ul style="list-style-type: none"> - Chairman, Taiwan Mobile Foundation - Chairman, beingNet Alliance - Chairman, Institute for Biotechnology and Medicine Industry - Dean Emeritus, School of Big Data Management, Soochow University - Dean, Hacker College, National Chiao Tung University - Visiting Chair Professor, Department of Technology Management & Computer Science and Information Engineering, Chung Hua University 	5,748,763
TCC Investment Co., Ltd. Representative: Howard Lin	Ph.D. in Chemical Engineering, National Taiwan University	<ul style="list-style-type: none"> - Senior Vice President, Fubon Financial Holding Co., Ltd. - President, Fubon Asset Management Co., Ltd. - Manager, Technical & Development Dept., Grand Pacific Petrochemical Corp. 	<ul style="list-style-type: none"> - CIO, Fubon Financial Holding Co., Ltd. - Vice Chairman, Fubon Life Insurance Co., Ltd. - Chairman, Fubon Financial Holding Venture Capital Corp. - Chairman, momo.com Inc. - Director, Fubon Health Management Co., Ltd. - Director, Fu Yi Health Management Co., Ltd. 	200,496,761
TCC Investment Co., Ltd. Representative: James Jeng	<p>Ph.D. and MS in Electrical and Computer Engineering, State University of New York</p> <p>BS in Electrical Engineering, National Cheng Kung University</p>	<ul style="list-style-type: none"> - Chairman & CEO, Kbro Co., Ltd. - CTO & HBG COO, Taiwan Mobile Co., Ltd. - CEO, Asia Pacific Telecom Group - EVP, United Fiber Optic Communication Inc. - Technical Supporting Manager, AT&T Bell Lab, USA 	<ul style="list-style-type: none"> - President, Taiwan Mobile Co., Ltd. - President, Taiwan Fixed Network Co., Ltd. - President, TFN Media Co., Ltd. - Chairman, Taiwan Digital Service Co., Ltd. - Chairman, Taiwan Teleservices & Technologies Co., Ltd. - Chairman, Win TV Broadcasting Co., Ltd. - Chairman, Taiwan Kuro Times Co., Ltd. - Director, momo.com Inc. 	200,496,761

Independent Director Candidates				
Name	Education	Experience	Current Positions	Shareholding (Shares)
Jack J.T. Huang	S.J.D., Harvard University LL.M., Northwestern University LL.B., National Taiwan University	- Partner-in-charge, Jones Day	- Partner, Jones Day - Chairman, Taiwan M&A and Private Equity Council - Independent Director, WPG Holdings - Independent Director, Systex Corp. - Independent Director, CTCI Corp.	0
Hsueh-Jen Sung	MBA, Harvard University MBA, National Chengchi University BS, National Chiao Tung University	- Vice Chairman, Goldman Sachs (Asia) Ltd. - President, Grand Cathay Securities Corp. - Country Manager, Westpac Banking Corp.	- Chairman, Vaucluse Capital Management Ltd. - Chairman, Shin Chiuan Capital Management Ltd. - Director, Hon Hai Precision Industry Co., Ltd.	0
Chung-Ming Kuan	Ph.D. in Economics, University of California, San Diego	- Minister, National Development Council - Minister, Council for Economic Planning and Development, Executive Yuan - Minister without Portfolio, Executive Yuan - Research Fellow/ Director / Distinguished Research Fellow, Institute of Economics, Academia Sinica - Director, Social Science Research Center, National Science Council - Professor, Department of Economics, National Taiwan University - Assistant Professor / Associate Professor with tenure, University of Illinois, Urbana-Champaign	- NTU Chair Professor - Distinguished Professor, Department of Finance, National Taiwan University	0
Char-Dir Chung	Ph.D. and MS in E.E, University of Southern California BS in Electrical Engineering, National Taiwan University	- Minister without Portfolio, Executive Yuan - Member / Deputy Convener / Executive Secretary, Board of Science and Technology, Executive Yuan - Member / Deputy	- Professor, Department of Electrical Engineering and Graduate Institute of Communication Engineering, National Taiwan University - IEEE Fellow - Convener, Performance Evaluation Committee	0

		Convener / Executive Secretary, National Information and Communications Initiative Committee, Executive Yuan - Deputy Executive Secretary, Science and Technology Advisory Group, Executive Yuan - Chairman, Department of Communication Engineering, National Central University Director, Graduate Institute of Communication Engineering, National Central University	of Technology Development Program, Ministry of Economic Affairs	
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Resolution:

7. To approve the removal of the non-competition restrictions on the Board of Directors elected in the shareholders' meeting

- (1) According to Article 209 of the Company Act, a director, who acts for himself or on behalf of another person that is within the scope of the company's business, shall clarify the essential content of his act to the meeting of shareholders and secure AGM's approval.
- (2) Vote on the removal of the non-competition restrictions on the Board of Directors (including individual directors and institutional directors' representatives) for the eighth term of the Board of Directors elected at the shareholders' meeting till the end of their tenure in office.

Name	Current position(s) in other companies		
Richard M. Tsai	Director, Good TV Broadcasting Corp.		
Howard Lin	Chairman, momo.com Inc.	Director, Fubon Health Management Co., Ltd.	Director, Fu Yi Health Management Co., Ltd.
James Jeng	Chairman, Union Cable TV Co., Ltd.	Chairman, Globalview Cable TV Co., Ltd.	Director, momo.com Inc.
Jack J.T. Huang	Independent Director, Systex Corp.	Independent Director, CTCI Corp.	
Hsueh-Jen Sung	Director, Hon Hai Precision Industry Co., Ltd.		

- (3) According to Article 178 of the Company Act, a shareholder, who has a conflict of interest against a proposed resolution, shall excuse himself from voting and exercising the voting rights on behalf of another shareholder in the AGM.

Resolution:

Special Motions

Meeting Adjourned

ATTACHMENTS



Business Report

In 2016, thanks to an all-out effort by employees, Taiwan Mobile (“TWM” or “the Company”) saw its 4G business grow, with consolidated sales hitting a new record, while EBIT, EBITDA and free cash flow rose to their highest levels since the service’s launch in 2014. This can be attributed to the Company’s: 1) superior 4G network quality, which was recognized and affirmed by consumers, 2) an improving operating leverage due to expanding economies of scale, and 3) cost-effective investments in 4G spectrum and infrastructure. All these achievements demonstrate TWM’s commitment to maximizing its shareholders’ interests.

Taiwan Mobile reported a 2016 consolidated revenue of NT\$116.6bn. Its EBITDA of NT\$33.9bn and EBIT of NT\$20bn rose 5% and 7% YoY, respectively. Net income and EPS came in at NT\$15.3bn and NT\$5.63, respectively, both surpassing the Company’s guidance by 9%. Earnings grew briskly on the back of a better-than-expected performance from its 4G operations and steady profit contribution from its e-commerce business. As a result, the Company again outperformed its peers in delivering the highest EPS in 2016 for the fifth consecutive year.

As the Company steadily expanded its core business, it continued to gain recognition for its commitment to enhancing corporate value, which 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 recognitions from domestic and international rating institutions. Last year, for the second year in a row, TWM ranked among the top 5% listed companies in the Taiwan Stock Exchange and the Taipei Exchange’s “Corporate Governance Assessment.” TWM was also selected for the fifth time as a member of the Emerging Markets Index of the Dow Jones Sustainability Indices (the world’s first and most widely used global sustainability benchmarks). In addition, TWM won three awards in the 2016 Asian Excellence Awards — for “Best Investor Relations,” “Best Corporate Social Responsibility” and “Best CFO” in Taiwan. It was the only telecom operator in Taiwan to receive those recognitions from Corporate Governance Asia.

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 and environmental protection have gained wide recognition. Last year, it received its 10th "Corporate Social Responsibility" award from Global Views Monthly and its ninth "Excellence in Corporate Social Responsibility" award from Commonwealth magazine. It was also honored for the third year in a row by the Taiwan Institute for Sustainable Energy Research as one of "Taiwan's Top 10 Role Model Companies for Sustainability," in addition to receiving five other awards, namely, the "Integrity and Transparency Award," the "Growth through Innovation Award," the "Role Model Award for Community Service and Outreach," the "Climate Leadership Award" and "Taiwan's Top 50 Corporate Sustainability Report Award – Gold Award in ICT Sector." Furthermore, TWM's 2015 Corporate Social Responsibility report, following the International Integrated Reporting Council guidelines, was in 2016 the first in the industry to receive independent verification and assurance from KPMG. Lastly, TWM was awarded the ISO 14001 environmental management system certification, the first in Taiwan's telecom industry.

3. Premium services and customer satisfaction

With customer care as its core value, TWM offers premium customer services, which earned the following achievements: its fifth 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 13th consecutive year.

This year marks TWM's 20th anniversary. With its solid foundation in 4G, TWM will endeavor to further cultivate the Internet of Things (IoT) industry and deploy its "6C" core strategies: Coverage, Convergence, Content, Channel, Cloud and Corporate Social Responsibility to continue making history.

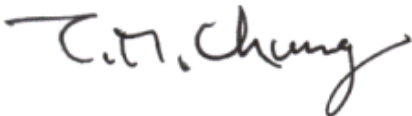


Audit Committee Report

January 25, 2017

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2016 business report and financial statements to the Audit Committee. The CPA firm, Deloitte & Touche, was retained by the Board to audit TWM's financial statements and has issued an audit report relating to the financial statements. The business report and financial statements have been reviewed and determined to be correct and accurate by the Audit Committee of TWM. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report on behalf of all members of the committee to the 2017 Annual General Meeting of shareholders for ratifications.

Taiwan Mobile Co., Ltd.



Tsung-Ming Chung

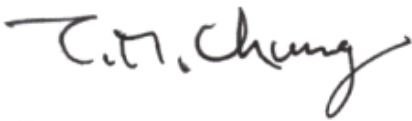
Chairman of the Audit Committee

Audit Committee Report

May 4, 2017

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's proposal for distribution of the 2016 earnings to the Audit Committee. The proposal has been reviewed and determined to be correct and accurate by the Audit Committee of TWM. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report on behalf of all members of the committee to the 2017 Annual General Meeting for ratifications.

Taiwan Mobile Co., Ltd.



Tsung-Ming Chung
Chairman of the Audit Committee

Issuance of the Third Domestic Unsecured Convertible Bonds

Issuance Terms:

Issuance	Third Domestic Unsecured Convertible Bonds
Issue date	November 22, 2016
Denomination	NT\$100,000
Issue price	100% of par value
Total amount	NT\$10,000,000,000
Coupon	0% p.a.
Term	5 years, maturing on Nov. 22, 2021
Guarantor	None
Trustee	Bank of Taiwan
Underwriter	Yuanta Securities Co., Ltd.
Legal counsel	Tai Yuan Huang, Attorney
Auditor	Li-Wen Kuo, CPA Kwan-Chung Lai, CPA Deloitte & Touche
Repayment	All bonds shall be redeemed in cash on the Maturity Date at the par value unless otherwise converted in accordance with Clause 10 of the Procedures for Issuance and Conversion of TWM's 3rd domestic unsecured convertible bonds (the Procedures) by the holders of the Bonds into the common shares of the Company, the put option being exercised in accordance with Clause 19 of the Procedures by the holders of the Bonds, early redeemed in accordance with Clause 18 of the Procedures by the Company, or repurchased from securities firms and cancelled by the Company prior to the Maturity Date.
Outstanding balance	NT\$10,000,000,000
Early repayment clause	Please refer to the Procedures for Issuance and Conversion of TWM's 3rd domestic unsecured convertible bonds.
Covenants	None
Credit rating agency, rating date, company credit rating	None
Ancillary rights	Please refer to the Procedures for Issuance and Conversion of TWM's 3rd domestic unsecured convertible bonds.
Dilution and other effects on shareholders' equity	Based on the conversion price of NT\$116.1, when all the bonds are converted into common shares, the maximum share dilution will be 2.46%, which has no material impact on the shareholders' equity.

Conversions: None as of December 31, 2016.

The use of proceeds from CB issuance: The proceeds of NT\$10bn was used to repay the bank borrowings in 4Q16 in accordance with the Company's plan.



Ethical Corporate Management Best Practice Principles

- Before and After Amendments for Comparison

Article	Amended	Original	Comment
15	<p>Organization and Responsibility</p> <p>The directors, managers, employees, mandataries and Substantial Controllers of the Company shall exercise due care in urging the Company to prevent Unethical Conduct, and review, from time to time, the results of the preventive measures and continually make adjustments.</p> <p>To achieve sound ethical corporate management, the internal legal office shall <u>be in charge of the enactment of the ethical management policy, the prevention of the Unethical Conduct, the execution and supervision of the ethical management as follows</u>, and report to the board of directors on a regular basis:</p> <ol style="list-style-type: none"> 1. Stipulate the “Operation Rules of Ethical Corporate Management Best Practice Principles”. 2. Promoting and coordinating awareness and educational activities with respect to ethics policy. 3. Developing the whistleblowing mechanism and ensuring its operating effectiveness. 4. Assisting the board of directors and management team in auditing and assessing whether ethical management is effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures. 	<p>Organization and Responsibility</p> <p>The directors, managers, employees, mandataries and Substantial Controllers of the Company shall exercise due care in urging the Company to prevent Unethical Conduct, and review, from time to time, the results of the preventive measures and continually make adjustments.</p> <p>To achieve sound ethical corporate management, the internal audit department shall audit the execution and compliance of integrity operation as follows, and report to the board of directors on a regular basis:</p> <ol style="list-style-type: none"> 1. Stipulate the “Operation Rules of Ethical Corporate Management Best Practice Principles”. 2. Promoting and coordinating awareness and educational activities with respect to ethics policy. 3. Developing the whistleblowing mechanism and ensuring its operating effectiveness. 4. Assisting the board of directors and management level in auditing and assessing whether ethical management is effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures. 	<p>Subject to the principle that the internal auditors shall be full-time for audit matters, the internal legal office is substituted to manage the planning and enactment of the ethical and integrity policies.</p>



Ethical Corporate Management Best Practice Principles

Officially resolved by the board of directors on January 27, 2011
First amendment was approved by the board of directors on October 27, 2011
Second amendment was approved by the board of directors on April 30, 2015
Third amendment was approved by the board of directors on July 27, 2016

Article 1 (Purpose of Enactment and Applicable Scope)

Subject to the operation principles of integrity, transparency, and responsibility, Taiwan Mobile Co., Ltd. (the "Company") enacts and executes "The Ethical Corporate Management Best Practice Principles" ("Principles") to establish a corporate culture of ethical management and sound development, and offer a framework to establish good commercial practices, risk management mechanism, and to create a sustainable business environment.

The Principles shall apply to the Company's subsidiaries, any foundation constituted as a juristic person to which the Company's direct or indirect accumulated contribution of funds exceeds 50% of the total funds received, and other institutions or juridical persons which are substantially controlled by the Company.

Article 2 (Prohibition of Unethical Conduct)

When engaging in commercial activities, directors, managers, employees, mandataries of the Company or persons having substantial control over the Company ("Substantial Controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper Benefits (see Article 3), nor commit unethical acts including breach of the principle of good faith, illegal acts, or breach of fiduciary duty (collectively "Unethical Conduct") for purposes of acquiring or maintaining Benefits (see Article 3).

The opposite parties of the Unethical Conduct referred to in the preceding paragraph include civil servants, political candidates, political parties or their members, state-run or private-owned businesses or institutions and their directors, supervisors, managers, employees or substantial controllers or other stakeholders.

Article 3 (The Types of Benefits)

The "Benefits" mentioned in the Principles means any items of value, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

Article 4 (Legal Compliance)

The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement

Act, Act on Recusal of Public Servants Due to Conflict of Interest, TWSE/GTSM-listing related rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

Article 5 (Prevention Program)

In order to exercise in business operation, the Company shall stipulate the “Operation Rules of Ethical Corporate Management Best Practice Principles” and comply with the relevant laws and regulations in the country where the Company, affiliates, group enterprises or organizations have business operations.

Article 6 (The Commitment and Execution)

The Company shall clearly specify ethical corporate management principles in their internal rules and external documents. The board of directors and management promises to rigorously and thoroughly enforce ethical management for internal management and external commercial activities.

Article 7 (Engaging in Commercial Activities under Ethical Corporate Management Policies)

The Company, based on the principle of ethical management, shall engage in commercial activities in a fair and transparent manner.

Prior to the conclusion of any commercial transaction, the Company shall take into consideration the legality of their agents, suppliers, clients or other trading counterparties, and whether they have conducted Unethical Conduct before, if any, and avoid having any dealings with persons who have or have been involved with any record of Unethical Conduct.

When entering into contracts with other parties, the Company shall include in such contracts provisions demanding ethical corporate management policy compliance and a provision that in the event the trading counterparties are suspected of engaging in or involved with Unethical Conduct, the Company may at any time terminate or cancel the contracts.

Article 8 (Prohibition of Offering and Accepting Bribes)

When conducting business, the Company and its directors, managers, employees, mandataries and Substantial Controllers shall not directly or indirectly offer, promise to offer, request or accept any improper Benefits in any form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

Article 9 (Prohibition of Offering Illegal Political Donations)

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, managers, employees, mandataries and Substantial Controllers shall comply with the Political Donations Act and its

own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

Article 10 (Prohibition of Improper Charitable Donations or Sponsorship)

When making or offering donations and sponsorship, the Company and its directors, managers, employees, mandataries and Substantial Controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Article 11 (Prohibition of Unjustifiable Presents, Hospitality or Other Improper Benefits)

The Company and its directors, managers, employees, mandataries and Substantial Controllers shall not directly or indirectly offer or accept any unjustifiable presents, hospitality or other improper Benefits to establish business relationship or influence commercial transactions.

Article 12 (Prohibition of Intellectual Property Infringement)

The Company and its directors, managers, employees, mandataries and Substantial Controllers shall comply with the laws, regulations, internal process procedures, and applicable contracts pertaining to intellectual property. The Company shall not use, disclose, dispose, destroy, or make any other infringement to intellectual property without prior written consent of the owners of the intellectual property rights.

Article 13 (Prohibition of Unfair Competition)

The Company shall follow the applicable competition laws and regulations when engaging in business activities, and shall not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

Article 14 (Prohibition of Damages on Products or Services against Stakeholders)

The Company and its directors, managers, employees, mandataries and Substantial Controllers shall comply with the applicable laws and regulations and international standards governing its products and services to ensure the transparency of information about, and safety of, the products and services in the course of their research and development, procurement, manufacture, provision, or sale of the products and services. The Company shall adopt and announce a policy on the protection of the rights and interests of the consumers or other stakeholders to prevent its products and services from directly or indirectly damaging the rights and interests, health, and safety of the consumers or other stakeholders. Where there are sufficient facts to determine that the Company's products or services are likely to pose any hazard to the safety and health of the consumers or other stakeholders, the Company shall recall those products or suspend the services immediately.

Article 15 (Organization and Responsibility)

The directors, managers, employees, mandataries and Substantial Controllers of the Company shall exercise due care in urging the Company to prevent Unethical Conduct, and review, from time to time, the results of the preventive measures and continually make adjustments.

To achieve sound ethical corporate management, the internal legal office shall be in charge of

the enactment of the ethical management policy, the prevention of the Unethical Conduct, the execution and supervision of the ethical management as follows, and report to the board of directors on a regular basis:

1. Stipulate the “Operation Rules of Ethical Corporate Management Best Practice Principles”.
2. Promoting and coordinating awareness and educational activities with respect to ethics policy.
3. Developing the whistleblowing mechanism and ensuring its operating effectiveness.
4. Assisting the board of directors and management team in auditing and assessing whether ethical management is effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

Article 16 (Legal Compliance for Conducting Business)

The Company and its directors, managers, employees, mandataries and Substantial Controllers shall comply with the laws, regulations and the internal principles when conducting business.

Article 17 (Avoiding Conflicts of Interest)

The Company shall establish regulations for preventing conflicts of interest, to distinguish, supervise, and manage the potential risks of Unethical Conduct resulting from conflict interests, and offer appropriate means for directors, managers, and any other stakeholders attending or present at the board meeting to voluntarily explain whether their interests would potentially conflict with those of the Company.

A director, manager, and any other stakeholder attending or present at the board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting, shall state the important aspects of the stake in the meeting. Such person shall be prohibited from discussing and participating in voting on any proposals if there is likelihood that the interests of this Company would be prejudiced, shall recuse himself or herself from any discussion and voting, and shall not exercise voting rights as proxy on behalf of another director. The directors shall exercise self-discipline and should not support one another in improper ways.

The Company's directors, managers, employees, mandataries and Substantial Controllers shall not take advantage of their positions or influence in the Company to obtain improper Benefits for themselves, their spouses, parents, children or any other person.

Article 18 (Accounting and Internal Control)

The Company shall establish effective accounting and internal control systems for business activities which may be at a higher risk of being involved in Unethical Conduct, and should not have under-the-table accounts or maintain secret accounts, and shall conduct reviews from time to time so as to ensure that the design and enforcement of the systems continue to be effective.

The internal audit department of the Company shall inspect the Company's compliance with the system mentioned in the preceding paragraph and prepare and submit audit reports to the board of directors on a regular basis. The Company may assign accountants to perform the inspection, and may request assistance from other professionals if required.

Article 19 (Operational Procedures and Guidelines)

The operational principles and rules established by the Company for the prevention of Unethical Conduct shall specifically regulate the rules of business conduct for the Company's directors,

managers, employees, and Substantial Controllers.

Article 20 (Training and Reviews)

The chairman, general manager, or senior management shall communicate the importance of ethics to its directors, employees, and mandataries on a regular basis.

The Company shall periodically organize training or awareness programs for its directors, managers, employees, mandataries and Substantial Controllers. Each business department of the Company shall propagate the principles to the counterparties of any commercial transaction the Company engages in, and have such counterparties fully understand the Company's resolution to implement the Principles and the consequences of committing Unethical Conduct.

The Company shall combine the Principles with its employee performance evaluation system and human resource policies to establish a clear and effective reward and punishment system.

Article 21 (Whistleblowing, Punishment and Appeals Process)

In cases where the Company's directors, manager, employees, mandataries or Substantial Controller has discovered a violation of the Principles, the directors, manager, employees or Substantial Controller shall report such violation to the Audit Committee, managers, internal audit officer or other appropriate channels of the Company. The Company shall keep confidential the identity of the person who reports such violation and the report's content, and shall investigate and deal with such report actively. If any violation of the Principles is confirmed, a disciplinary action will be imposed depending upon the nature and degree of such violation.

Article 22 (Disclosure of Information)

The Company shall disclose the status of the enforcement of the Principles on its company website, annual report and public prospectus.

Article 23 (Review and Amendment to the Principles)

The Company shall monitor the development of relevant local and international regulations concerning ethical corporate management from time to time, and encourage its directors, managers and employees to make suggestions so as to review and improve the Principles and achieve better results from implementation.

Article 24 (Enforcement)

The Ethical Corporate Management Best Practice Principles of the Company shall be implemented after the Principles are reviewed by the Audit Committee and resolved by the board of directors, and then the Principles shall be submitted at the shareholders' meeting. The same procedure shall apply to any amendment thereto.



The 2016 Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Taiwan Mobile Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), IFRIC Interpretations ("IFRIC"), and SIC Interpretations ("SIC") endorsed by the Financial Supervisory Commission ("FSC") of Taiwan, the Republic of China ("ROC").

The Basis of Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants ("CPA") and auditing standards generally accepted in the ROC. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the CPA Ethical Standards, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2016 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of 2016 consolidated financial statements are as follow:

The Impairment Loss of Property, Plant and Equipment and Intangible Assets (Including Goodwill)

The description of key audit matter:

The consolidated balances of property, plant and equipment and intangible assets including goodwill amounted to \$42,415,229 thousand and \$59,677,982 thousand, respectively as of December 31, 2016. On each balance sheet date, the Group reviews for indication of impairment of the tangible and intangible assets. If any indication thereof exists, the Group then estimates the recoverable amount of the assets. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will determine the recoverable amount for the asset's cash-generating unit. Because the aforementioned tangible and intangible assets amounted to \$102,093,211 thousand (67% of total consolidated assets) and the calculation for recoverable amount involved several assumptions and estimations, which directly impacts the amount recognized as impairment losses, we

believe that the review of impairment of assets is a Key Audit Matter item.

Corresponding audit procedure:

By conducting compliance test, we obtained an understanding of the estimation for asset impairment and of the design and execution for relevant control. We also performed major audit procedures as follows:

1. Obtain the valuation form of assets impairment produced by the company for each cash-generating unit.
2. Evaluate and consult with the internal experts of the CPA firm the appropriateness of the assumptions and sensitivity analyses including the classification of cash-generating units, forecast of cash flows, and discount rate for the management to assess the assets impairment.

Telecommunication Service Revenue

The description of key audit matter:

The source of the major operating revenue of the Group is the telecommunication service revenue. For the year ended December 31, 2016, the telecommunication service revenue amounted to \$56,849,968 thousand. Because nowadays the telecommunication industry is more competitive where the calculation of the service revenue becomes more complex and cumbersome, and relies highly on automatic, systematic connection and implementation, the telecommunication service revenue is considered as one of the key audit matters.

Corresponding audit procedure:

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

1. Review the contracts of mobile subscribers to ensure the accuracy of information in the accounting system.
2. Perform the dialing test to verify the completeness of the information in the telephone-exchange.
3. Perform system integration test from telephone-exchange to telephone traffic.
4. Test for the accuracy of billing calculation.
5. Verify the accuracy of the billing amounts generated from monthly rental as well as airtime accounting system.

Other Matter

We have also audited the parent company only financial statements of Taiwan Mobile Co., Ltd. as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified and a modified unqualified report, respectively.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of Taiwan, the ROC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the ROC will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the ROC, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with statements that we have complied with relevant

ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Li-Wen Kuo and Kwan-Chung Lai.

Deloitte & Touche
Taipei, Taiwan
Republic of China
January 25, 2017

Notice to Readers

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2016		December 31, 2015		LIABILITIES AND EQUITY	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 6 and 29)	\$ 7,704,517	5	\$ 8,579,422	5	Short-term borrowings (Notes 17 and 29)	\$ 7,363,005	5	\$ 14,220,938	9
Available-for-sale financial assets (Notes 7 and 29)	1,231,871	1	1,028,132	1	Short-term notes and bills payable (Note 17)	-	-	10,793,487	7
Accounts and notes receivable, net (Note 8)	15,331,965	10	15,656,266	10	Accounts and notes payable	7,114,164	5	6,410,405	4
Accounts receivable due from related parties (Note 29)	83,541	-	62,103	-	Accounts payable due to related parties (Note 29)	145,982	-	91,486	-
Other receivables (Note 29)	1,287,274	1	1,178,226	1	Other payables (Note 29)	9,822,578	6	11,273,991	7
Inventories (Note 9)	4,071,748	3	4,188,213	3	Current tax liabilities	2,221,519	1	1,876,908	1
Prepayments (Note 29)	500,558	-	439,628	-	Provisions (Note 19)	202,873	-	166,217	-
Other financial assets (Notes 29 and 30)	4,018,764	3	3,003,099	2	Advance receipts	2,637,194	2	2,288,795	2
Other current assets	49,874	-	39,846	-	Long-term liabilities, current portion (Notes 17 and 18)	6,252,767	4	10,267,891	7
Total current assets	<u>34,280,112</u>	<u>23</u>	<u>34,174,935</u>	<u>22</u>	Other current liabilities	<u>2,384,515</u>	<u>2</u>	<u>1,842,100</u>	<u>1</u>
					Total current liabilities	<u>38,144,597</u>	<u>25</u>	<u>59,232,218</u>	<u>38</u>
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Financial assets at fair value through profit or loss	42,030	-	158,322	-	Financial liabilities at fair value through profit or loss (Note 18)	41,961	-	-	-
Available-for-sale financial assets (Note 7)	3,194,347	2	2,664,478	2	Bonds payable (Note 18)	21,459,896	14	14,795,938	9
Financial assets at cost	188,548	-	192,700	-	Long-term borrowings (Note 17)	21,447,691	14	11,682,472	7
Debt instrument investment without active market	423,481	-	359,062	-	Provisions (Note 19)	1,305,688	1	1,231,244	1
Investments accounted for using equity method (Notes 10 and 29)	1,564,265	1	1,584,362	1	Deferred tax liabilities (Note 24)	822,880	1	2,014,310	1
Property, plant and equipment (Notes 5 and 13)	42,415,229	28	47,247,121	30	Net defined benefit liabilities (Note 20)	369,322	-	274,636	-
Investment properties, net (Note 14)	2,951,079	2	330,165	-	Guarantee deposits	887,163	1	797,787	1
Concessions (Notes 5, 15 and 30)	37,864,311	25	40,445,341	26	Other non-current liabilities	<u>711,672</u>	<u>-</u>	<u>765,344</u>	<u>1</u>
Goodwill (Notes 5 and 15)	15,845,930	10	15,845,930	10	Total non-current liabilities	<u>47,046,273</u>	<u>31</u>	<u>31,561,731</u>	<u>20</u>
Other intangible assets, net (Notes 5 and 15)	5,967,741	4	6,111,153	4	Total liabilities	<u>85,190,870</u>	<u>56</u>	<u>90,793,949</u>	<u>58</u>
Deferred tax assets (Note 24)	708,656	1	811,782	1	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 21)				
Other financial assets (Notes 29, 30 and 31)	125,953	-	109,366	-	Common stock	34,208,328	23	34,208,328	22
Other non-current assets (Notes 16 and 29)	<u>5,805,723</u>	<u>4</u>	<u>6,050,956</u>	<u>4</u>	Capital surplus	14,985,047	10	14,586,376	9
Total non-current assets	<u>117,097,293</u>	<u>77</u>	<u>121,910,738</u>	<u>78</u>	Retained earnings				
					Legal reserve	24,606,828	16	23,038,209	15
					Special reserve	1,173,954	1	302,986	-
					Unappropriated earnings	15,850,111	10	18,311,104	12
					Other equity interests	(690,034)	-	(1,173,954)	(1)
					Treasury shares	<u>(29,717,344)</u>	<u>(20)</u>	<u>(29,717,344)</u>	<u>(19)</u>
					Total equity attributable to owners of the parent	60,416,890	40	59,555,705	38
					NON-CONTROLLING INTERESTS (Note 21)	<u>5,769,645</u>	<u>4</u>	<u>5,736,019</u>	<u>4</u>
					Total equity	<u>66,186,535</u>	<u>44</u>	<u>65,291,724</u>	<u>42</u>
TOTAL	<u>\$ 151,377,405</u>	<u>100</u>	<u>\$ 156,085,673</u>	<u>100</u>	TOTAL	<u>\$ 151,377,405</u>	<u>100</u>	<u>\$ 156,085,673</u>	<u>100</u>

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 22 and 29)	\$ 116,647,498	100	\$ 116,144,205	100
OPERATING COSTS (Notes 29 and 34)	<u>78,790,518</u>	<u>68</u>	<u>79,785,135</u>	<u>69</u>
GROSS PROFIT FROM OPERATIONS	<u>37,856,980</u>	<u>32</u>	<u>36,359,070</u>	<u>31</u>
OPERATING EXPENSES (Notes 29 and 34)				
Marketing	12,977,366	11	12,820,487	11
Administrative	<u>5,283,030</u>	<u>4</u>	<u>5,074,014</u>	<u>4</u>
Total operating expenses	<u>18,260,396</u>	<u>15</u>	<u>17,894,501</u>	<u>15</u>
NET OTHER INCOME AND EXPENSES	<u>423,182</u>	<u>-</u>	<u>304,580</u>	<u>-</u>
OPERATING INCOME	<u>20,019,766</u>	<u>17</u>	<u>18,769,149</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 29)	379,957	-	448,789	-
Other gains and losses, net (Notes 23 and 29)	(586,636)	-	(388,633)	-
Finance costs (Notes 23 and 29)	(673,439)	-	(730,917)	-
Share of profit (loss) of associates accounted for using equity method (Note 10)	<u>51,824</u>	<u>-</u>	<u>67,562</u>	<u>-</u>
Total non-operating income and expenses	<u>(828,294)</u>	<u>-</u>	<u>(603,199)</u>	<u>-</u>
PROFIT BEFORE TAX	19,191,472	17	18,165,950	16
INCOME TAX EXPENSE (Note 24)	<u>3,263,029</u>	<u>3</u>	<u>1,997,921</u>	<u>2</u>
PROFIT	<u>15,928,443</u>	<u>14</u>	<u>16,168,029</u>	<u>14</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Re-measurements from defined benefit plans	(98,443)	-	(133,738)	-
Share of other comprehensive income (loss) of associates accounted for using equity method	(472)	-	(1,275)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation	(69,331)	-	(12,254)	-
Unrealized gains (losses) on available-for-sale financial assets	533,608	-	(907,330)	(1)
Share of other comprehensive income (loss) of associates accounted for using equity method	<u>(14,059)</u>	<u>-</u>	<u>(36,512)</u>	<u>-</u>
Other comprehensive loss (after tax)	<u>351,303</u>	<u>-</u>	<u>(1,091,109)</u>	<u>(1)</u>
COMPREHENSIVE INCOME	<u>\$ 16,279,746</u>	<u>14</u>	<u>\$ 15,076,920</u>	<u>13</u>
PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 15,320,187	14	\$ 15,686,186	14
Non-controlling interests	<u>608,256</u>	<u>-</u>	<u>481,843</u>	<u>-</u>
	<u>\$ 15,928,443</u>	<u>14</u>	<u>\$ 16,168,029</u>	<u>14</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 15,706,230	14	\$ 14,681,379	13
Non-controlling interests	<u>573,516</u>	<u>-</u>	<u>395,541</u>	<u>-</u>
	<u>\$ 16,279,746</u>	<u>14</u>	<u>\$ 15,076,920</u>	<u>13</u>
EARNINGS PER SHARE (Note 25)				
Basic earnings per share	<u>\$ 5.63</u>		<u>\$ 5.76</u>	
Diluted earnings per share	<u>\$ 5.60</u>		<u>\$ 5.75</u>	

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent					Other Equity Interests			Total	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares			
			Legal Reserve	Special Reserve							
BALANCE, JANUARY 1, 2015	\$ 34,208,328	\$ 14,715,830	\$ 21,537,666	\$ -	\$ 19,805,941	\$ 31,294	\$ (334,280)	\$(29,717,344)	\$ 60,247,435	\$ 6,252,897	\$ 66,500,332
Distribution of 2014 earnings	-	-	1,500,543	-	(1,500,543)	-	-	-	-	-	-
Legal reserve	-	-	-	-	(302,986)	-	-	-	-	-	-
Special reserve	-	-	-	302,986	(302,986)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(15,243,655)	-	-	-	(15,243,655)	-	(15,243,655)
Total distribution of earnings	-	-	1,500,543	302,986	(17,047,184)	-	-	-	(15,243,655)	-	(15,243,655)
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	-	-	-	-	15,552,347	(8,908)	(862,060)	-	14,681,379	395,541	15,076,920
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	-	-	-	-	-	-	-	-	-	(670,583)	(670,583)
BALANCE, DECEMBER 31, 2015	34,208,328	14,586,376	23,038,209	302,986	18,311,104	22,386	(1,196,340)	(29,717,344)	59,555,705	5,736,019	65,291,724
Distribution of 2015 earnings	-	-	1,568,619	-	(1,568,619)	-	-	-	-	-	-
Legal reserve	-	-	-	-	(870,968)	-	-	-	-	-	-
Special reserve	-	-	-	870,968	(870,968)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(15,243,655)	-	-	-	(15,243,655)	-	(15,243,655)
Total distribution of earnings	-	-	1,568,619	870,968	(17,683,242)	-	-	-	(15,243,655)	-	(15,243,655)
Profit for the year ended December 31, 2016	-	-	-	-	15,320,187	-	-	-	15,320,187	608,256	15,928,443
Other comprehensive income for the year ended December 31, 2016	-	-	-	-	(97,877)	(31,519)	515,439	-	386,043	(34,740)	351,303
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	15,222,310	(31,519)	515,439	-	15,706,230	573,516	16,279,746
Equity component of convertible bonds issued by the Company	-	400,564	-	-	-	-	-	-	400,564	-	400,564
Changes in equity of associates accounted for using equity method	-	(1,893)	-	-	(61)	-	-	-	(1,954)	(75)	(2,029)
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(539,625)	(539,625)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(190)	(190)
BALANCE, DECEMBER 31, 2016	\$ 34,208,328	\$ 14,985,047	\$ 24,606,828	\$ 1,173,954	\$ 15,850,111	\$ (9,133)	\$ (680,901)	\$(29,717,344)	\$ 60,416,890	\$ 5,769,645	\$ 66,186,535

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 19,191,472	\$ 18,165,950
Adjustments		
Depreciation expense	10,650,126	10,576,173
Amortization expense	3,201,689	2,939,619
Loss on disposal of property, plant and equipment, net	457,819	332,085
Gain on disposal of intangible assets	-	(47)
Provision for bad debt expense	385,004	395,016
Finance costs	673,439	730,917
Interest income	(164,174)	(154,760)
Dividend income	(80,168)	(21,213)
Share of profit of associates accounted for using equity method	(51,824)	(67,562)
Valuation loss on financial assets and liabilities at fair value through profit or loss	118,234	68,618
Impairment loss on financial assets	2,209	-
Gain on disposal of investments, net	-	(12,437)
Gain (loss) on foreign exchange, net	12,075	(40,004)
Others	1,366	1,629
Changes in operating assets and liabilities		
Financial assets held for trading	-	1,478
Accounts and notes receivable	187,756	(1,234,205)
Accounts receivable due from related parties	(21,438)	(27,542)
Other receivables	(106,626)	(182,688)
Inventories	112,784	(977,225)
Prepayments	(62,050)	55,247
Other current assets	1,502	(4,528)
Other financial assets	5,254	(5,319)
Accounts and notes payable	703,759	(1,371,871)
Accounts payable due to related parties	54,496	12,094
Other payables	(358,829)	(229,022)
Provisions	54,911	91,006
Advance receipts	348,399	24,183
Other current liabilities	542,415	(156,635)
Net defined benefit liabilities	(23,920)	(23,276)
Net cash inflows generated by operating activities	35,835,680	28,885,681
Interest received	1,374	1,194
Interest paid	(2,414)	(601)
Income taxes paid	(4,004,476)	(3,080,538)
Net cash generated by operating activities	<u>31,830,164</u>	<u>25,805,736</u>

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	\$ (9,932,672)	\$ (11,585,672)
Acquisition of intangible assets	(274,594)	(4,180,118)
Increase in prepayments for equipment	(280,998)	(288,176)
Proceeds from disposal of property, plant and equipment	29,416	150,937
Proceeds from disposal of intangible assets	-	47
Acquisition of available-for-sale financial assets	(200,000)	-
Proceeds from disposal of available-for-sale financial assets	-	1,192,504
Acquisition of convertible notes	-	(596,730)
Acquisition of investments accounted for using equity method	(30,000)	(670,448)
Acquisition of financial assets at cost	-	(2,108)
Proceeds from redemption of debt investments with no active market	-	500,000
Proceeds from capital return of financial assets at cost	1,944	2,160
Increase in refundable deposits	(212,008)	(1,222,077)
Decrease in refundable deposits	195,335	1,219,549
Increase in other financial assets	(2,861,536)	(2,127,122)
Decrease in other financial assets	1,823,478	2,259,551
Interest received	87,859	115,539
Dividend received	125,820	52,621
	<u>(11,527,956)</u>	<u>(15,179,543)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short-term borrowings	(6,853,000)	(4,679,062)
Increase (decrease) in short-term notes and bills payable	(10,792,680)	5,203,447
Proceeds from issue of convertible bonds	9,989,130	-
Proceeds from long-term borrowings	13,130,000	8,770,000
Repayment of long-term borrowings	(10,282,000)	(2,210,000)
Increase in guarantee deposits received	295,340	388,216
Decrease in guarantee deposits received	(204,589)	(405,335)
Cash dividends paid (including paid to non-controlling interests)	(15,783,271)	(15,914,229)
Interest paid	(669,893)	(704,786)
Decrease in non-controlling interests	-	(397,175)
	<u>(21,170,963)</u>	<u>(9,948,924)</u>
Net cash used in investing activities	<u>(11,527,956)</u>	<u>(15,179,543)</u>
Net cash used in financing activities	<u>(21,170,963)</u>	<u>(9,948,924)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	<u>(6,150)</u>	<u>(1,624)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(874,905)</u>	<u>675,645</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,579,422</u>	<u>7,903,777</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 7,704,517</u>	<u>\$ 8,579,422</u>

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

(Concluded)

Taiwan Mobile Co., Ltd.
2016 Earnings Distribution Proposal

Unit: NT\$

Item	Amount
Unappropriated retained earnings as of December 31, 2015	627,862,869
Effects of changes in percentage of ownership of investees	(61,373)
Actuarial losses of 2016	(97,877,632)
Unappropriated retained earnings - Adjusted	529,923,864
Net income of 2016	15,320,187,297
Legal reserve appropriation (10%)	(1,532,018,730)
Reversal of special reserve appropriation	483,920,253
Retained earnings available for distribution	14,802,012,684
Appropriation:	
Cash dividends (Note 1)	(14,176,599,025)
Balance of unappropriated retained earnings	625,413,659

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

Articles of Incorporation

- Before and After Amendments for Comparison

Article	Amended	Original	Comment
2	<p>The scope of business of the Company shall be:</p> <ol style="list-style-type: none"> 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. <u>F108031 Wholesale of Drugs, Medical Goods;</u> 12. <u>F208031 Retail Sale of Medical Equipment;</u> 13. ZZ99999 Any other business (other than those approved by the relevant authorities) not prohibited or restricted by law. 	<p>The scope of business of the Company shall be:</p> <ol style="list-style-type: none"> 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. 	Add the scope of business
34	<p>These Articles of Incorporation were agreed to and signed on 30 January 1997. ...</p> <p>The twenty- third amendment was made</p>	<p>These Articles of Incorporation were agreed to and signed on 30 January 1997. ...</p> <p>The twenty- third amendment was made</p>	Add the amendment sequence number and

<p>on 21 June 2013. The twenty- fourth amendment was made on 12 June 2014. The twenty- fifth amendment was made on 15 June 2016. <u>The twenty- sixth amendment was made on 14 June 2017.</u></p>	<p>on 21 June 2013. The twenty- fourth amendment was made on 12 June 2014. The twenty- fifth amendment was made on 15 June 2016.</p>	<p>the date of the latest amendment to the Articles of Incorporation</p>
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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. F108031 Wholesale of Drugs, Medical Goods;
12. F208031 Retail Sale of Medical Equipment;
13. 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 compensation to directors (including independent directors), according to his/her contribution to the operation and involvement in the operation of the Company, comparable to peer's levels, transportation and other allowance included.

Chapter V Managers and Officers

Article 28 There shall be several Presidents and Vice Presidents of the Company. The President shall be nominated by the Chairman; and his/her appointment or removal shall be approved by more than 50% of the Directors. The Vice Presidents shall be nominated by the President; and their appointment or removal shall be approved by more than 50% of the Directors.

Article 29 The Company may, by resolution of the Board, retain consultants or key officers.

Article 29-1 The Company shall purchase liability insurance for key management based on their duties and terms.

Chapter VI Financial Reports

Article 30 The fiscal year of the Company shall begin on 1 January and end on 31 December of each year. The Board shall prepare the following reports after the end of each fiscal year, and present to the shareholders at the general meeting of the shareholders for their ratifications in accordance with the legal procedure:

- (1) Business Report
- (2) Financial Statements
- (3) Proposal for distribution of earnings to shareholders or recovery of prior year losses.

Article 30-1 If the Company has profits in a fiscal year, it shall set aside 1% to 3% of the profits as employee bonuses and not more than 0.3% of the profits as director compensation. However, if the Company has accumulated losses, it shall first reserve a certain amount for offsetting losses, then allocate for the employee bonuses and director compensation proportionally from the remaining amount. Qualification requirements of employees entitled to receive shares or cash set for in the above paragraph shall be applied to the employees of subsidiaries who meet certain requirements.

Article 31 In the event that the Company, according to the final settlement, earns profits in a fiscal year, such profits shall first be set aside to pay the applicable taxes, offset

losses, set aside for legal reserve pursuant to laws and regulations, unless the legal reserve has reached the Company's total paid-up capital. The remaining profits shall be set aside for special reserve in accordance with the laws, regulations, or the business requirements. Any further remaining profits plus unappropriated earnings shall be distributed in accordance with the proposal submitted by the Board, for approval at a shareholders' meeting.

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

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

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

Article 34 The Articles of Incorporation were agreed to and signed on January 30, 1997.
The first amendment was made on February 18, 1997.
The second amendment was made on February 22, 1997.
The third amendment was made on April 2, 1997.
The fourth amendment was made on August 30, 1997.
The fifth amendment was made on December 12, 1997.
The sixth amendment was made on March 21, 1998.
The seventh amendment was made on June 23, 1998.
The eighth amendment was made on February 3, 1999.
The ninth amendment was made on June 22, 1999.
The tenth amendment was made on March 6, 2000.
The eleventh amendment was made on March 30, 2001.
The twelfth amendment was made on March 30, 2001.
The thirteenth amendment was made on April 26, 2002.
The fourteenth amendment was made on June 25, 2003.
The fifteenth amendment was made on June 15, 2004.
The sixteenth amendment was made on June 14, 2005.
The seventeenth amendment was made on June 15, 2006.
The eighteenth amendment was made on June 15, 2007, except for the Article 7-2, which shall be effective on January 1, 2008
The nineteenth amendment was made on June 13, 2008.
The twentieth amendment was made on June 19, 2009.
The twenty-first amendment was made on June 15, 2011.
The twenty-second amendment was made on June 22, 2012.
The twenty- third amendment was made on June 21, 2013.
The twenty- fourth amendment was made on 12, June 2014.
The twenty- fifth amendment was made on 15, June 2016.
The twenty- sixth amendment was made on 14, June 2017.

Rules and Procedures for Acquisition or Disposal of Assets

(the “Procedures”)

Before and After Amendments for Comparison

Article	Amended	Original	Explanation
9	In acquiring or disposing of real estate or equipment where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300,000,000 or more, the Company, unless transacting with a government agency/authority , engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of the occurrence of the event from a professional appraiser and shall further comply with the following provisions: (omitted)	In acquiring or disposing of real estate or equipment where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300,000,000 or more, the Company, unless transacting with a government <u>agency</u> , engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of the occurrence of the event from a professional appraiser and shall further comply with the following provisions: (omitted)	word amendment
11	Where the Company acquires or disposes of membership or intangible assets with the transaction amount reaching 20% or more of the paid-in capital or NT\$300,000,000 or more, except in transactions with a government agency/authority , the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.	Where the Company acquires or disposes of membership or intangible assets with the transaction amount reaching 20% or more of the paid-in capital or NT\$300,000,000 or more, except in transactions with a government <u>agency</u> , the Company shall engage a CPA prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.	word amendment
14	When the Company intends to acquire or dispose of real estate from or to a related party, or when it intends to acquire or dispose of assets	When the Company intends to acquire or dispose of real estate from or to a related party, or when it intends to acquire or dispose	Clearly stipulate the issuing entity of the domestic

	<p>other than real estate from or to a related party and the transaction amount reaches 20% or more of the paid-in capital, 10% or more of the Company's total assets, or NT\$300,000,000 or more, except in the trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds <u>which are issued by domestic securities investment trust enterprises</u>, subject to mutatis mutandis application of paragraphs 2, 3 and 4 of Article 6, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all Audit Committee members, and then submitted to the board of directors for a resolution:</p> <p>(omitted)</p>	<p>of assets other than real estate from or to a related party and the transaction amount reaches 20% or more of the paid-in capital, 10% or more of the Company's total assets, or NT\$300,000,000 or more, except in the trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, subject to mutatis mutandis application of paragraphs 2, 3 and 4 of Article 6, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all Audit Committee members, and then submitted to the board of directors for a resolution:</p> <p>(omitted)</p>	<p>money market funds.</p>
<p>22</p>	<p>The Company that conducts a merger, spin-off, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.</p> <p><u>However, the requirement of obtaining an aforesaid third-party fairness opinion may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</u></p>	<p>The Company that conducts a merger, spin-off, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.</p>	<p>A third-party fairness opinion of a merger and acquisition is not required if the M&A occurs within the group, resulting from the Group's re-organization.</p>

<p>30</p>	<p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in an appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <p>1. Acquisition or disposal of real estate from or to a related party, or acquisition or disposal of assets other than real estate from or to a related party where the transaction amount reaches 20% or more of the paid-in capital, or 10% or more of the Company's total assets, or NT\$300,000,000 or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds <u>which are issued by domestic securities investment trust enterprises.</u></p> <p>2. (omitted)</p> <p>3. (omitted)</p> <p><u>4. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount meets any of the following criteria:</u></p> <p>(1) <u>For a public company whose paid-in capital is less than NT\$10 billion,</u> the transaction amount reaches NT\$500 million or more.</p> <p>(2) <u>For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</u></p>	<p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in an appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <p>1. Acquisition or disposal of real estate from or to a related party, or acquisition or disposal of assets other than real estate from or to a related party where the transaction amount reaches 20% or more of the paid-in capital, or 10% or more of the Company's total assets, or NT\$300,000,000 or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</p> <p>2. (omitted)</p> <p>3. (omitted)</p> <p><u>4. Any asset transactions other than those referred to in the preceding three subparagraphs, or an investment in the mainland China area with amount reaching 20% or more of the paid-in capital or NT\$300,000,000 or more, excluding the following circumstances:</u></p> <p>(1) Trading of government bonds.</p> <p>(2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market <u>or in accordance with relevant</u></p>	<p>Specifying different sets of criteria for a company with a paid-in capital below NT\$10bn and for one with a paid-in capital of NT\$10bn and above regarding the public announcement and report of a transaction of equipment for business use with a non-related party. The subscription of the ordinary corporate bonds and general bank debentures that do not involve shareholding rights by the securities-trading investment professionals in the domestic primary market is exempted from public announcement and report.</p>
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<p>5. Engaging others to build on the Company's own land, engaging others to build on leased land, joint construction and allocation of housing units, joint construction and allocation of ownership, or joint construction and separate sale, with estimated amount of investment by the Company <u>reaches</u> NT\$500,000,000 or more.</p> <p>6. Any asset transactions other than those referred to in the preceding <u>five</u> subparagraphs, or an investment in the mainland China area with amount reaching 20% or more of the paid-in capital or NT\$300,000,000 or more, excluding the following circumstances:</p> <p>(1) Trading of government bonds.</p> <p>(2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of the <u>straight bonds or of non-equity related general bank debentures that are offered and issued</u> in the <u>domestic</u> primary market.</p> <p>(3) Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds <u>which are issued by domestic securities investment trust enterprises.</u></p> <p>(paragraph 2 to paragraph 4 are omitted)</p> <p>If the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety <u>within two days inclusive of the date of knowing of such errors or omissions.</u></p>	<p><u>regulations.</u></p> <p>(3) Trading of bonds under repurchase/resale agreements, or subscription or <u>redemption</u> of domestic money market funds.</p> <p>(4) Where the type of asset acquired or disposed of is equipment for business use, the trading counterparty is not a related party, and the transaction amount is <u>less than NT\$500,000,000.</u></p> <p>(5) Engaging others to build on the Company's own land, engaging others to build on leased land, joint construction and allocation of housing units, joint construction and allocation of ownership, or joint construction and separate sale, with estimated amount of investment by the Company <u>less than</u> NT\$500,000,000.</p> <p>(paragraph 2 to paragraph 4 are omitted)</p> <p>If the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.</p> <p>(omitted)</p>	
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	(omitted)		
32	<p>Information required to be publicly announced and reported in accordance with the provisions of Chapter III on acquisitions and disposals of assets by a subsidiary of the Company that is not itself a public company in Taiwan shall be reported by the Company.</p> <p>The paid-in capital or total assets of the Company shall be the criteria for determining whether or not the subsidiary referred to in the preceding paragraph is subject to Article 30, paragraph 1 requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets; <u>provided, the term “paid-in capital” in subparagraph 4, paragraph 1 of Article 30 shall base on the Company’s and its subsidiaries’ paid-in capital respectively.</u></p>	<p>Information required to be publicly announced and reported in accordance with the provisions of Chapter III on acquisitions and disposals of assets by a subsidiary of the Company that is not itself a public company in Taiwan shall be reported by the Company.</p> <p>The paid-in capital or total assets of the Company shall be the criteria for determining whether or not the subsidiary referred to in the preceding paragraph is subject to Article 30, paragraph 1 requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets.</p>	<p>Adding the definition of public announcement and report relates to the transaction of equipment for business use with a non-related party.</p>



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

Approved on 25 November 1997
First Amendment on 30 September 1998
Second Amendment on 22 December 1999
Third Amendment on 30 April 2001
Fourth Amendment on 15 November 2001
Fifth Amendment on 25 June 2003
Sixth Amendment on 15 June 2004
Seventh Amendment on 15 June 2006
Eightieth Amendment on 15 June 2007
Ninth Amendment on 18 June 2010
Tenth Amendment on 22 June 2012
Eleventh Amendment on 12 June 2014
Twelfth Amendment on June 10, 2015
Thirteenth Amendment on June 14, 2017

Chapter I General Principles

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

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

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

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

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

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
2. Assets acquired or disposed of through mergers, spin-offs, acquisitions, or transfer of shares in accordance with the law: Refers to assets acquired or disposed of through mergers, spin-offs, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156, paragraph 8 of the Company Act.
3. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: Refers to a real estate appraiser or other person duly authorized by law to engage in the value appraisal of real estate or equipment.
5. Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

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

Chapter II Disposition Procedures

Section I Establishment of Disposition Procedures

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

resolution. After the Procedures have been approved by the board of directors, they shall be submitted to a shareholders' meeting for approval; the same applies when the Procedures are amended. If any director expresses dissent which is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to the Audit Committee.

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

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

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

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

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

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

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

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

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

Section II Acquisition or Disposal of Assets

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

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

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

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

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

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

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

appraisers for the appraisal report and CPA for the CPA's opinions can be excluded from the calculation.

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

Section III Related Party Transactions

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

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

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

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

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

the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.

6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.
7. Restrictive covenants and other major terms associated with the transaction.

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

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

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

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

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

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

Where the Company acquires real estate from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Article 14 and the preceding three paragraphs do not apply:

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

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

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

Completed transactions for neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction; within the

preceding year refers to the year preceding the date of occurrence of the acquisition of the real estate.

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

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

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

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

Section IV Engaging in Derivatives Trading

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

1. Trading principles and strategies:
 - (1) Types of derivatives that may be traded: the Company may engage any derivatives as defined in paragraph 1, Article 4 of the Procedures.
 - (2) Operating or hedging strategies: according to the purpose of acquisition or issuance, the derivatives trading may be categorized as derivatives for hedge purpose and derivatives for transaction purpose.

The Company's derivatives trading shall be mainly used for hedge purpose. Transaction

counterparty shall be the financial institution with the business relationship with the Company to avoid the credit risk.

(3) Segregation of duties:

(i) Accounting department: shall be responsible for creating the journal of the transaction, confirming the transaction report, generating accounting documents/vouchers and finalizing the accounting statements.

(ii) Financial department: the financial department shall:

A. acknowledge the market information, determine the trend and risks, clearly understand the derivatives, the related laws and regulations, and provide sufficient and prompt information to relevant departments.

B. evaluate the total amount of the Company's foreign exchange transactions and other hedge requirements, avoid potential risks according to the Company's policy, and fasten the costs and profits. The financial department shall control every derivatives transaction and assess the loss and profit which has not been realized subject to the market price.

C. calculate the cash flow in compliance with the credit line offered by the bank to assist financial personnel to make the settlement.

D. be responsible for drafting or modifying the relevant procedures of derivatives transactions, summarizing and managing the transaction records periodically reported by the Company and subsidiaries to make monthly public announcement.

(iii) Audit department: shall make periodical and non-periodical inspection pursuant to internal audit regulations.

(4) Essentials of performance evaluation: the accounting department shall evaluate the net balance, provide the report of foreign exchange transaction to the competent supervisors as the reference of management and performance assessment periodically to adjust and improve the hedge policy.

(5) Total amount of derivatives contracts that may be traded:

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

(ii) Total amount of transaction products: the Company shall not engage the trade of transaction products unless approved by the board of directors.

(6) Maximum loss limit on total trading and for individual contracts: Except the hedge product transactions, the maximum amount of transaction risk in an individual contract shall not exceed US\$ 100,000, the maximum loss amount and stop loss limit of the whole transactions/contracts shall not exceed US\$ 1,000,000 or other currency in equivalent amount. Any alternation of the content in this article shall be approved by the board of directors.

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

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

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

Article 20 Where the Company engaging in derivatives trading, its board of directors shall faithfully supervise and manage such trading in accordance with the following principles:

1. Designate senior management personnel to pay continuous attention to monitoring and

controlling derivatives trading risk.

2. Periodically evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.

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

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

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

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

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

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

Article 22 The Company that conducts a merger, spin-off, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid third-party fairness opinion may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized

capital.

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

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

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

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

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

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

When participating in a merger, spin-off, acquisition, or transfer of shares where shares are listed on an exchange or traded on an OTC market, within 2 days immediately from the date of passage

of a resolution by the board of directors, report (in the prescribed format and via the Internet-based information system) the information set out in subparagraphs 1 and 2 of the preceding paragraph shall be sent to the Financial Supervisory Commission (FSC) for review.

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

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

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

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

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

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

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

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

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

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

Chapter III Public Disclosure of Information

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

1. Acquisition or disposal of real estate from or to a related party, or acquisition or disposal of assets other than real estate from or to a related party where the transaction amount reaches 20% or more of the paid-in capital, or 10% or more of the Company's total assets, or NT\$300,000,000 or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds which are issued by domestic securities investment trust enterprises.
2. Merger, spin-off, acquisition, or transfer of shares.
3. Losses from derivatives trading reaching the limits of aggregate losses or losses on individual contract set out in the procedures adopted by the Company.
4. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount meets any of the following criteria:
 - (1) For a public company whose paid-in capital is less than NT\$10 billion, the transaction

amount reaches NT\$500 million or more.

- (2) For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.
5. Engaging others to build on the Company's own land, engaging others to build on leased land, joint construction and allocation of housing units, joint construction and allocation of ownership, or joint construction and separate sale, with estimated amount of investment by the Company reaches NT\$500,000,000 or more.
 6. Any asset transactions other than those referred to in the preceding five subparagraphs, or an investment in the mainland China area with amount reaching 20% or more of the paid-in capital or NT\$300,000,000 or more, excluding the following circumstances:
 - (1) Trading of government bonds.
 - (2) Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of the straight bonds or of non-equity related general bank debentures that are offered and issued in the domestic primary market.
 - (3) Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds which are issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

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

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

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

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

Article 31 Where any of the following circumstances occurs with respect to a transaction that the Company has already announced publicly and reported in accordance with the preceding article, a public announcement of relevant information shall be made on the information reporting website designated by the FSC within 2 days commencing immediately from the date of occurrence of the event:

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

Chapter IV Additional Provisions

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

The paid-in capital or total assets of the Company shall be the criteria for determining whether or not the subsidiary referred to in the preceding paragraph is subject to Article 30, paragraph 1 requiring a public announcement and regulatory filing in the event the type of transaction specified therein reaches 20 percent of paid-in capital or 10 percent of the total assets; provided, the term “paid-in capital” in subparagraph 4, paragraph 1 of Article 30 shall base on the Company’s and its subsidiaries’ paid-in capital respectively.

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

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

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

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



Taiwan Mobile Co., Ltd.

Rules for Election of the Directors

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

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

dismissed:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Article 8 The Company's directors shall be elected by means of single-named cumulative ballots method. Each share is entitled to have votes equivalent to the number of directors to be

elected, and the number of votes may be used to elect one candidate or be allocated among several candidates.

Article 9 According to the seats set forth in the Articles of Incorporation, the voting rights for the independent directors or non-independent directors shall be counted separately. In the election of the directors, the candidates who acquired more votes should win the seats; and, if two or more persons receive the same number of votes, resulting in the total number of persons to be elected exceeding the number specified in the Company's Articles of Incorporation, those persons who have received the same number of votes shall draw straws to decide who is elected. If any person who has received the same number of votes as others, but is absent at the meeting, the chairman shall draw the straw on the absent person's behalf.

Article 10 Before beginning of the election, the chairman shall designate a certain number of persons who are also shareholders to check, count ballots and perform the relevant duties. The ballot box used for voting shall be prepared by the board of directors and checked in public by the person assigned to check the ballots before voting.

Article 11 The Board of Directors shall prepare the election ballots which equal to the number of directors to be elected with the number of voting rights. The ballots shall be given to the shareholders present at the shareholders' meeting. In the election of directors, the names of the voters may be represented by their shareholder number.

Article 12 If the candidate is a shareholder of this Company, electors shall fill in the "candidate" column the candidate's name and shareholder's number on each ballot. If the candidate is not a shareholder, electors shall fill in the candidate's name and ID number. If the candidate is a government agency or a legal entity, the full name of the government agency or the legal entity or the name of the representative should be filled in the column. If there are more than one representative, the full names of the representatives should be filled in separately.

Article 13 A ballot shall be construed as null and void under the following conditions:

1. The elector has failed to use the ballot prepared by the board of directors.
2. Blank ballots not completed by the voter.
3. The writing is unclear and illegible.
4. If the candidate is a shareholder of the Company, the name or shareholder's number of the candidate filled in the ballot is inconsistent with the shareholders' register. If the candidate is not a shareholder of this Company, the name or ID number of the candidate filled in the ballot is incorrect.
5. Ballots with other written characters in addition to candidate's name, shareholder's number (ID number) and the number of votes cast for the candidate.
6. The name of the candidates filled in the ballots being the same as another candidate's name and the respective shareholder's numbers (ID numbers) not being indicated to distinguish them.

Article 14 The ballots should be calculated during the meeting right after the voting and the results

(the list of new directors) of the election should be announced by the chairman at the meeting.

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

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

APPENDIXES

Shares Owned by Directors

As of April 16, 2017

Title	Name	Current shareholding	
		Shares	%
Chairman	Fu-Chi Investment Co., Ltd. Representative: Daniel M. Tsai	5,748,763	0.17%
Vice-Chairman	Fu-Chi Investment Co., Ltd. Representative: Richard M. 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	Fu-Chi Investment Co., Ltd. Representative: San-Cheng Chang	5,748,763	0.17%
Director	TCC Investment Co., Ltd. Representative: Howard Lin	200,496,761	5.86%
Director	TCC Investment Co., Ltd. Representative: James Jeng	200,496,761	5.86%
The total shares owned by the directors are 206,245,524 shares, or 6.03% of the total issued shares.			

Note:

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



Taiwan Mobile Co., Ltd.

Articles of Incorporation

Last amended on June 15, 2016

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 compensation to directors (including independent directors), according to his/her contribution to the operation and involvement in the operation of the Company, comparable to peer's levels, transportation and other allowance included.

Chapter V Managers and Officers

Article 28 There shall be several Presidents and Vice Presidents of the Company. The President shall be nominated by the Chairman; and his/her appointment or removal shall be approved by more than 50% of the Directors. The Vice Presidents shall be nominated by the President; and their appointment or removal shall be approved by more than 50% of the Directors.

Article 29 The Company may, by resolution of the Board, retain consultants or key officers.

Article 29-1 The Company shall purchase liability insurance for key management based on their duties and terms.

Chapter VI Financial Reports

Article 30 The fiscal year of the Company shall begin on 1 January and end on 31 December of each year. The Board shall prepare the following reports after the end of each fiscal year, and present to the shareholders at the general meeting of the shareholders for their ratifications in accordance with the legal procedure:

- (1) Business Report
- (2) Financial Statements
- (3) Proposal for distribution of earnings to shareholders or recovery of prior year losses.

- Article 30-1** If the Company has profits in a fiscal year, it shall set aside 1% to 3% of the profits as employee bonuses and not more than 0.3% of the profits as director compensation. However, if the Company has accumulated losses, it shall first reserve a certain amount for offsetting losses, then allocate for the employee bonuses and director compensation proportionally from the remaining amount. Qualification requirements of employees entitled to receive shares or cash set for in the above paragraph shall be applied to the employees of subsidiaries who meet certain requirements.
- Article 31** In the event that the Company, according to the final settlement, earns profits in a fiscal year, such profits shall first be set aside to pay the applicable taxes, offset losses, set aside for legal reserve pursuant to laws and regulations, unless the legal reserve has reached the Company's total paid-up capital. The remaining profits shall be set aside for special reserve in accordance with the laws, regulations, or the business requirements. Any further remaining profits plus unappropriated earnings shall be distributed in accordance with the proposal submitted by the Board, for approval at a shareholders' meeting.
- Article 31-1** The Company adopts a dividend distribution policy whereby only surplus profits of the Company shall be distributed to shareholders. That is, only the surplus profits, after setting aside amounts for retained earnings based on the Company's capital budget plan, shall be distributed as cash dividend. The value of stock dividend in a particular year shall not be more than 80% of the value of dividend distributed for that year. The amount of the distributable dividend, the forms in which dividend shall be distributed and the ratios thereto, shall depend on the actual profits and cash positions of the Company and shall be approved by resolutions of the Board, who shall, upon such approval, recommend the same to the shareholders for approval by resolution at the shareholders' meetings.
- Article 32** The internal organization and the detailed procedures relevant to the business operation of the Company shall be separately determined by the Board.
- Article 33** Matters not specifically provided for in these Articles of Incorporation shall be governed by the Company Act and any other relevant laws.
- Article 34** The Articles of Incorporation were agreed to and signed on January 30, 1997.
The first amendment was made on February 18, 1997.
The second amendment was made on February 22, 1997.
The third amendment was made on April 2, 1997.
The fourth amendment was made on August 30, 1997.
The fifth amendment was made on December 12, 1997.
The sixth amendment was made on March 21, 1998.
The seventh amendment was made on June 23, 1998.
The eighth amendment was made on February 3, 1999.
The ninth amendment was made on June 22, 1999.
The tenth amendment was made on March 6, 2000.
The eleventh amendment was made on March 30, 2001.
The twelfth amendment was made on March 30, 2001.
The thirteenth amendment was made on April 26, 2002.
The fourteenth amendment was made on June 25, 2003.
The fifteenth amendment was made on June 15, 2004.

The sixteenth amendment was made on June 14, 2005.

The seventeenth amendment was made on June 15, 2006.

The eighteenth amendment was made on June 15, 2007, except for the Article 7-2, which shall be effective on January 1, 2008

The nineteenth amendment was made on June 13, 2008.

The twentieth amendment was made on June 19, 2009.

The twenty-first amendment was made on June 15, 2011.

The twenty-second amendment was made on June 22, 2012.

The twenty- third amendment was made on June 21, 2013.

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

The twenty- fifth amendment was made on 15, June 2016.



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.