



Taiwan Mobile Co., Ltd.

Rules and Procedures of Lending and Making Endorsements/Guarantees
(the "operational procedures")

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Fourth amendment on June 18, 2010

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Chapter I General Provisions

Article 1 The operational procedures are promulgated pursuant to Article 36-1 of the Securities and Exchange Act ("the Act") and "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" ("the Regulation").

Article 2 The Company shall comply with the operational procedures when making loans to and endorsements/guarantees for others; provided that where another act or regulation provides otherwise, the provisions of such act or regulation shall prevail.

Article 3 Under Article 15 of the Company Act, the Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:

1. Where a company or a business entity having a business relationship with the Company and requests a loan arrangement; or
2. Where a company or a business entity having a necessary and short-term financing facility with the Company.

The term "short-term" as used in the preceding paragraph means one year, or where the operating cycle exceeds one year, one operating cycle.

Article 4 The term "endorsements/guarantees" as used in the operational procedures refers to the following:

1. Financing endorsements/guarantees, including:
 - A. Bill discount financing.
 - B. Endorsement or guarantee made to meet the financing needs of another company.

C. Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.

2. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the Company itself or another company with respect to customs duty matters.
3. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.

Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the operational procedures.

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

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

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

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

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

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

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

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

Chapter II Formulation of Operation Procedures

Section I Loans of Funds to Others

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

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

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

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

- B. The maximum amount permitted to business dealing and to a single borrower:
- a. Where funds are loaned for reasons of business dealings: the aggregate amount of loans shall not exceed 40 percent of the Company's net worth. The loan to a single borrower shall be limited to the total amount of trading between the two companies.
 - b. Where short-term financing is needed: the aggregate amount of loans shall not exceed 40 percent of the Company's net worth. The loan to a single borrower shall be the lowest amount of the following items:
 - (i) 40 percent of the Company's net worth;
 - (ii) the amount that the Company invested in this borrower company or business entity; or
 - (iii) the amount that equals to the proportion of shares invested by the Company to the borrower company or business entity, multiples the total loan amount of the borrower company or business entity. The total loan amount means the total loan amount, including the long-term, short-term loans mentioned in the latest financial statement of the borrower company, plus the loan lent by the Company to the borrower company or business entity.

The loan to a single borrower shall be limited to 40% of the Company's net worth and shall not be applied to the item (ii) and (iii) when a single borrower is a company in which the Company directly and indirectly holds 100% of voting shares.

4. Duration of loans and calculation of interest:
- A. The duration of each loan shall not exceed the maximum of one year or one business year (whichever is longer) from the lending date.
 - B. Calculation of interest: Pursuant to the lending agreement approved by the board of directors, if the lending agreement does not mention the calculation of interest, the interest shall be calculated every six months.
5. Procedures for handling loans of funds:
- The borrower shall provide an application form to illustrate the amount of the loan, lending period, purpose, security/collateral, and other requirements that the Company has requested. The borrower shall provide basic information and financial information to the Company's financial department for evaluation, and the result of evaluation will be submitted for the board of directors' approval.
6. Detailed review procedures, including:
- A. The necessity of and reasonableness of extending loans to others.
 - B. Borrower credit status and risk assessment.
 - C. Impact on the Company's business operations, financial condition, and

shareholders' equity.

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

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

Section II Endorsements/Guarantees for Others

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

Where the Company has established the position of independent director, when it

submits the operational procedures for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions; the independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the board of directors' meeting.

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

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

100 percent of the Company's net worth. The endorsements/guarantees to a single entity shall be limited to the total amount of trading between the single entity and the Company and its subsidiaries.

- b. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares: the aggregate amount of endorsements/guarantees shall not exceed 100 percent of the Company's net worth. The endorsements/guarantees to a single entity shall be limited to the total amount of investment by the Company and the subsidiaries to such single entity. However, for a company in which the Company or its subsidiary directly and indirectly holds 100 percent of the voting shares, the amount of endorsements/guarantees to a single entity shall be limited to 200 percent of the total amount invested by the Company and its subsidiary.

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

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

Company.

When providing the endorsement/guarantee to foreign company, the endorsement/guarantee letter executed by the Company should be signed by the person delegated by the board of directors.

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

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

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

Chapter III Case Evaluation

Section I Loans of Funds to Others

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

Loans of funds between the Company and its subsidiaries, or loans of funds between

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

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

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

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

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

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

Section II Endorsements/Guarantees for Others

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

Where the Company has independent directors, when it makes endorsements/guarantees for others, it shall take into full consideration each

independent director's opinions; independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the board of directors' meeting.

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

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

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

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

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

Chapter IV Information Disclosure

Section I Loans of Funds to Others

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

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

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

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

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

Section II Endorsements/Guarantees for Others

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

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

1. The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
2. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in

its latest financial statement.

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

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

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

Chapter V Supplemental Provisions

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