

Procedures for Acquisition or Disposal of Assets of Chunghwa Telecom Co., Ltd.

1. All 38 articles adopted by Annual General Meeting on June 25, 2004.
2. Articles 1, 3, 4, 5, 6, 7, 8, 11, 12, 18, 19, 20, 21, 22, 24, 30, 31, 33, 36, and 38 amended by Annual General Meeting on May 30, 2006.
3. Articles 1, 3, 6, 8, 11, 14, 17, 18, 22, 24, 31, 33, and 37 amended by Annual General Meeting on June 15, 2007.
4. Articles 7, 20, 23, 24, 25, 26, 27, 28, 29, 30, 31, 40, and 44 amended, and articles 9, 12, 21, 22, and 47 added by Annual General Meeting on June 19, 2008.
5. Articles 6, 7, 8, 9, 10, 11, 12, 13, 14, 18, 22, 23, 25, 28, 29, 31, 32, 33, 37, 39, 40, 43, 44, and the title of Chapter 3 amended, and Article 47 deleted by Annual General Meeting on June 19, 2009.
6. Articles 2, 8, 10, 11, 12, 13, 14, 15, 16, 31, 33, 39, 40, 41, 42, 43 and 44 and the titles of Chapters 4 and 5 amended by Annual General Meeting on June 22, 2012.
7. Articles 4, 7, 8, 16, 19, 23, 25, 26, 29, 31 and 44 amended by Annual General Meeting on June 25, 2013.
8. Articles 1, 3, 4, 11, 12, 13, 14, 16, 17, 22, 30, 39 and the title of Chapter 3 amended by Annual General Meeting on June 24, 2014.
9. Articles 12, 14, 16, 31, 33, 39 and 40 amended by Annual General Meeting on June 23, 2017.
10. Articles 2, 3, 4, 5, 8, 11, 12, 13, 14, 15, 16, 17, 18, 19, 25, 30, 33, 38, 39 and 42 and the titles of Chapters 3 and 4 amended by Annual General Meeting on June 21, 2019.

Chapter 1 General Principles

Article 1

The Company has determined the Procedures for Acquisition or Disposal of Assets of Chunghwa Telecom Co., Ltd. (herein referred to as the "*Procedures*") in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies (herein referred to as the "*Regulations*") of the Financial Supervisory Commission.

Article 2

Except otherwise prescribed by the financial laws and regulations applicable to the Company or the Company's Articles of Incorporation, the acquisition or disposal of assets by the Company shall be conducted in accordance with these Procedures.

Article 3

The scope of applicability of the term "*assets*" as used in these Procedures shall be as follows:

1. Long-term and short-term investments including stocks, government bonds, corporate bonds, financial bonds, negotiable securities in funds, depositary receipts, call (put) warrants, beneficiary securities, asset-backed securities, and etc.;
2. Real property (including land, houses and buildings, and investment property) and equipment;
3. Memberships;
4. Intangible assets including patents, copyrights, trademarks, concession rights, and etc.;
5. Right-of-use assets.
6. Derivatives;
7. Assets acquired or disposed through mergers or consolidations, splits, acquisitions, or assignment of shares in accordance with law; and
8. Other major assets.

Article 4

Terms used in these procedures are defined as follows:

1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
2. Acquisitions or assignment of shares in accordance with law: Assets acquired or disposed through mergers, splits, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act, or other laws, or the acquisition of shares of another company through issuance of new shares of its own as the consideration therefore (herein referred to as "Assignment of shares") under Article 156-3 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: A real property appraiser, intangible asset appraiser, or other persons authorized by law to engage in the value appraisal of real property, equipment or intangible assets.
5. Date of occurrence: The date of transaction contract signing, date of payment, date of consignment trade, date of transfer, dates of Board of Directors resolutions, or other date sufficient to confirm the counterpart and amount of the transaction, whichever date is earlier. However, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval from the competent authority shall apply.
6. Mainland area investment: Investments in China approved by the Investment Commission, Ministry of Economic Affairs or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
7. Securities exchange: "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
8. Over-the-counter venue ("OTC venue", "OTC"): "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.
9. Shareholder's equity: Means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
10. All audit committee members: Should be counted as the actual number of persons currently holding those positions.
11. All directors: Should be counted as the actual number of persons currently holding those positions.

Article 5

When the Company obtains an appraisal report or a written opinion from a CPA, attorney, securities underwriter, or intangible asset appraisal organization, the professional appraiser and its appraisal personnel, or the CPA, attorney, securities underwriter, or intangible asset appraisal organization shall meet the following requirements:

1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
2. May not be a related party or de facto related party of any party to the transaction.
3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
2. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
3. They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

Article 5-1

The calculation of the transaction amounts referred to in Article 8, Article 12 and Article 14 shall be done in accordance with Article 39, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

Article 6

When acquiring or disposing of assets through court auction procedures, the Company may employ verification documents provided by the court instead of an appraisal report or CPA's opinion.

Article 7

The Company's acquisition or disposal of assets shall be approved by the Board of Directors in accordance with these Procedures or other laws and

Regulations. Before being submitted to the board, the transactions should be approved by more than half of all audit committee members.

If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the transaction 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.

Chapter 2 Acquisition or Disposal of Securities

Article 8

Appraisal procedures for the Company's acquisition or disposal of securities are as follows:

1. Before acquiring securities, the responsible department shall perform relevant financial analysis of the investment target, forecast returns that may be generated, and assess possible investment risk.
2. Method of determining prices when acquiring or disposing of securities and reference basis:
 - (1) When the Company acquires or disposes of securities that are already traded on the securities exchange or OTC, transactions shall be determined on the basis of market prices.
 - (2) When the Company acquires or disposes of securities that are not traded on the securities exchange or OTC, the Company shall, prior to the date of occurrence of the event, refer to the target company's financial statement for the most recent period that has been audited or revised by a CPA. If the securities are bonds, the Company shall determine whether to perform the transaction after referring to the market price and interest rate at that time, and the debtor's credit.
 - (3) When the value of a transaction in which the Company acquires or disposes of securities reaches NT\$300 million or more, prior to the date of occurrence of the event, the Company shall request a CPA to express an opinion concerning the reasonableness of the transaction price. If the CPA needs to use the report of an expert as evidence, the Company shall require the CPA to do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (herein referred to as the "ARDF"). The case shall not be subject to this restriction, however, if the securities in question have quoted prices in active markets, or other regulations of the Financial Supervisory Commission apply.

When the Company engages in a discretionary investment, it shall be proceed in accordance with the Company's discretionary investment guidelines, and the regulations in the foregoing paragraph shall not apply.

Article 9

The total value of securities acquired by the Company may not exceed 50% of the shareholder's equity on the Company's financial statement for the most recent period.

The amount of any individual security acquired by the Company may not exceed 5% of the shareholder's equity on the Company's financial statement for the most recent period.

When the Company invests in other companies as a limited liability shareholder, the cumulative total of all investment may not exceed the Company's total paid-in capital, and cumulative total investment in non-telecommunications

enterprises may not exceed 20% of the Company's total paid-in capital.

Article 10

The Company's operating procedures for the acquisition or disposal of securities shall be implemented in accordance with the Company's relevant operating guidelines and the Powers and Duties Chart of BOD and the Management.

Chapter 3 Acquisition or Disposal of Real Property, Equipment and Right-of-use Assets thereof

Article 11

When the Company acquires or disposes of real property, equipment or right-of-use assets thereof, the responsible department shall be charged with prudently assessing the necessity and reasonableness of the transaction based on the Company's current state of operations and finances and future development plans.

When acquiring or disposing of real property, the Company shall refer to the real property's publicly announced current value, appraised value, actual transaction prices of nearby real property, or appraisal report provided by a professional appraisal organization.

When acquiring or disposing of equipment, the Company shall proceed by means of price inquiries, price comparison, price negotiation, or request for bids.

The total value of real property and right-of-use assets thereof acquired by the Company for non-operating use may not exceed 3% of shareholder's equity on the Company's most recent financial statement.

Article 12

When the transaction amount for the acquisition or disposal of real property, equipment or right-of-use assets thereof reach NT\$300 million or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on leased land, or acquiring or disposing of equipment or right-of-use assets thereof held for operating use, shall obtain an appraisal report using the format requested by the Financial Supervisory Commission prior to the date of occurrence of the event, and shall further comply with the following provisions:

1. In the event of special circumstances such as a limited price, specified price or a special price which must be given as a reference basis for the transaction price, such transaction shall be submitted in advance to the Board for approval; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
2. Appraisals from two or more professional appraisers shall be obtained when the transaction amount is NT\$1 billion or more.
3. When the professional appraiser's appraisal results in any one of the following circumstances, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a CPA shall be engaged to perform the appraisal in accordance with the provisions of Statements of Auditing Standards No. 20, published by the ARDF, and to provide an opinion regarding the reason for the discrepancy and appropriateness of the transaction price:
 - (1) Where the discrepancy between the appraisal and the transaction amount is 20% or more of the transaction amount.

- (2) Where the discrepancy between the appraisals of two or more professional appraisers is 10% or more of the transaction amount.
4. When an appraisal is conducted before a contract establishment date, no more than three months may pass between the date of the appraisal report and the contract establishment date. However, when the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 13

The Company's acquisition or disposal of real property, equipment, or right-of-use assets thereof shall be performed in accordance with the Company's relevant operating guidelines and the Powers and Duties Chart of BOD and the Management.

Chapter 4 Acquisition or Disposal of Intangible Assets and Right-of-use Assets thereof and Memberships

Article 14

When the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches NT\$300 million or more, except in transactions of telecommunications licenses and spectrum with a domestic government agency, the Company shall engage a CPA prior to the date of occurrence of the event to provide an opinion on the reasonableness of the transaction price, and the CPA shall comply with the provisions of Statement of General Auditing Procedures No. 20 published by the ARDF.

The Company's acquisition or disposal of intangible assets or right-of-use assets thereof or memberships shall be performed in accordance with the Company's relevant operating guidelines and the Powers and Duties Chart of BOD and the Management.

Chapter 5 Related Party Transactions

Article 15

When acquiring or disposing assets from or to a related party, the Company shall perform relevant resolution procedures and assess the reasonableness of the transaction terms in accordance with Chapter 2, Chapter 3, Chapter 4 and this Chapter.

When determining whether a transaction counterpart is a related party, in addition to legal formalities, the substantive relationship shall also be considered.

If the competent authority releases other regulations or interpretation, those regulations or interpretation shall be complied with.

Article 16

When acquiring or disposing real property or right-of-use assets thereof from or to a related party, or when acquiring or disposing assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the audit committee and the Board of Directors:

1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of

- assets;
2. The reason for choosing the related party as a transaction counterpart;
 3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding assessment of the reasonableness of the anticipated transaction terms in accordance with the provisions of Articles 17 and 18;
 4. The date and price at which the related party originally acquired the real property, the original transaction counterpart, and that transaction counterpart's relationship to the Company and the related party;
 5. Monthly cash flow forecasts for the year commencing from the anticipated month of contract signing, and assessment of the necessity of the transaction and the reasonableness of the use of funds;
 6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Article 8, Article 12 and Article 14; and
 7. Restrictive conditions and other important stipulations associated with the transaction.

If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the transaction 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 calculation of the transaction amounts referred to Paragraph 1 shall be made in accordance with Article 39, Paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the supervisors need not be counted toward the transaction amount.

With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the Company's Board of Directors may pursuant to the Powers and Duties Chart of BOD and the Management delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board of Directors meeting:

1. Acquisition or disposal of equipment or right-of-use assets thereof held for operating use.
2. Acquisition or disposal of real property right-of-use assets held for operating use.

Article 17

When acquiring real property or right-of-use assets thereof from a related party, the Company 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 in accordance with law. "Necessary interest on funding" is taken as the weighted average interest rate on borrowing in the year the Company purchases the assets. However, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
2. Total appraisal loan value from any financial institutions when the related party has previously created a mortgage on the target as security for a loan. However, the actual cumulative amount loaned by such financial institutions shall have been 70% or more of the financial institutions' appraised loan value of the property and the period of the loan shall have been one year or more.

However, this shall not apply when such a financial institution is a related party of one of the transaction counterparts.

When land and structures thereupon are combined as a single property purchased or leased 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 foregoing paragraph.

The Company shall also engage a CPA to check the appraisal and render a specific opinion when acquiring real property or right-of-use assets thereof from a related party and appraising the cost of the real property or right-of-use assets thereof in accordance with the two foregoing paragraphs.

When the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with the provisions of the foregoing article and the preceding three paragraphs do not apply:

1. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
2. More than five years have elapsed between the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
3. The real property is acquired through 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 rented land.
4. The real property right-of-use assets held for operating use are acquired by the Company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

Article 18

When the results of the Company's appraisal conducted in accordance with the provisions of Article 17, paragraphs 1 and 2 are uniformly lower than the transaction price, the matter shall be conducted in compliance with the provisions of Article 19. However, when the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA. This preceding restriction shall not apply to the following:

1. When the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) When undeveloped land is appraised in accordance with the means in the foregoing article, and 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 department over the most recent three 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) Transactions by other unrelated parties within the preceding year involving other floors of the same property or in neighboring area when 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 sale or leasing practices.
2. When having acquired real property or obtaining real property right-of-use assets through leasing from a related party, the Company provides evidence that the transaction terms are similar to the terms of the transactions in

neighboring area conducted by other unrelated parties within one year and that the parcels are of similar size.

Transactions in neighboring area specified 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. Similarly sized parcels in principle refers to transactions conducted by other unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction. "Within one year" refers to one year from the date of acquisition of the real property or right-of-use assets thereof.

Article 19

When the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding two articles are uniformly lower than the transaction price, the following shall be done:

1. The difference between the price of the transaction of real property or right-of-use assets thereof and the appraised costs shall be allocated as special reserve in accordance with the provisions of Article 41, Paragraph 1 of the Securities and Exchange Act and may not be distributed or used for capital increase and issuance of bonus shares. If an invested company appraised by the Company using the equity method has the foregoing circumstances, the Company shall also list as special reserve under Article 41, paragraph 1 of the Securities and Exchange Act its share of the allocated portion in proportion to its shareholding.
2. Independent directors shall comply with the provisions of Article 218 of the Company Act.
3. The circumstances of handling under the foregoing two subparagraphs shall be reported at the shareholders meeting and the detailed content of the transaction shall be disclosed in the annual report and public prospectus.

After allocating a special reserve under the foregoing paragraph, the Company may not utilize such special reserve until it has recognized loss due to price decline for the assets it purchased or leased at a premium, or such assets have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the original condition has been restored, or there is other evidence confirming that it is not unreasonable to do so, and the Financial Supervisory Commission (FSC) has given its consent.

The Company shall also adhere to the provisions of the two foregoing paragraphs when acquiring real property or right-of-use assets thereof from a related party if there is other evidence indicating that the transaction is in any way inconsistent with regular business practices.

Chapter 6 Derivatives Trading

Article 20

The derivative transaction, by trading attributes, can be classified into two types: the hedging-purpose transaction and the trading-purpose transaction. The purpose to engage in the hedging-purpose transaction is to avoid or smooth the price fluctuations incurred by exchange rate or interest rate on the Company's asset or liability. The purpose to engage in trading-purpose transaction is to make a profit through price gaps in products and, meanwhile, shoulder risks.

The derivative transaction the Company can engage in shall be confined to

hedging-purpose transaction. The Company shall not engage in trading-purpose derivative transaction.

Article 21

The Company may engage in derivative trading which are confined to only such categories as defined under Article 4, Paragraph 1 and Subparagraph 1.

Article 22

When the Company engages in the trading of derivatives for hedging purposes, the target of hedging shall be limited to foreign currency deposits, financial assets already held by the Company, liabilities that have already occurred, and the demand for foreign currency under business contracts.

The total notional amount of derivative contracts traded by the Company shall not exceed the sum of the Company's recognized foreign currency deposits, financial assets, liabilities, and the demand for foreign currency under business contracts.

Article 23

The maximum loss limits on each individual and total derivative contracts traded by the Company are as follows:

1. The maximum loss limit on each individual derivative contract is 15% of each individual contract's notional amount.
2. The maximum loss limit on total derivative contracts is 15% of total contracts' notional amount.

If either individual's or total contracts' maximum loss limit in the foregoing paragraph is reached, Senior Executive Vice President, Finance/CFO or a designee shall immediately convene relevant personnel at a meeting to discuss responses.

Article 24

The derivative trading contract and such documents shall be executed by the CEO or the designee thereof for and on behalf of the Company.

Article 25

When the Company engages in derivative transaction, each department's duties shall be as follows:

1. Finance Department:
 - (1) Regularly tracking the Company's overall demand position and relevant domestic and foreign information concerning traded products, trading within authorized limits at opportune moments, and tracking income from positions resulting from past transactions.
 - (2) Forwarding of receipts from derivative trading and income-related information to the Accounting Department for bookkeeping.
2. Accounting Department: Bookkeeping of receipts from derivative trading and income-related information forwarded by the Finance Department.
3. Audit Department:
 - (1) Conducting regular and irregular audits in accordance with internal audit operating regulations.
 - (2) Periodically making a determination of the suitability of internal controls on derivatives and conducting a monthly audit of how faithfully derivatives trading by the trading department adheres to the Procedures for engaging in Derivatives Trading, and preparing an audit report. If any material violation is discovered, the audit committee and independent directors shall

be notified in writing.

Article 26

The Company shall not engage in derivative trading until each and every case of trading is signed and approved in writing within the limit levels of authorization enumerated below:

Managerial levels	Limit in amounts authorized for each case of trading
Board of Directors	NT\$2 billion (exclusive) up
CEO	NT\$1.5 billion (exclusive) up, below NT\$2 billion
President	NT\$1 billion (exclusive) up, below NT\$1.5 billion
Senior Executive Vice President, Finance/CFO	NT\$500 million (exclusive) up, below NT\$1 billion
Vice President, Finance Department	Below NT\$500 million

Remarks: The amount of each trading case shall be calculated based on the maximum possible face amount that could be incurred by the derivatives, contract amount or nominal principal.

The amount limit and levels for derivatives which the Company consigns professional investment institutions to invest and operate shall be pursuant to the requirements set forth in "Power & Responsibility Classification table for the Board of Directors and Managerial Departments". The provision set forth in the preceding paragraph is not applicable to such trading.

Article 27

The management department is authorized to formulate the Standard Operation Procedure (SOP) for Handling Derivative Products separately.

Article 28

The performance of derivatives shall be assessed on the basis of the sum of the gains or losses of the derivative position and the gains or losses of the position being hedged.

Article 29

The Company shall adopt the following risk management measures when engaging in derivative trading:

1. Credit risk: Transaction counterparties shall, in principle, consist of organizations with excellent credit.
2. Market price risk: the Company shall constantly undertake to control the risk of changes in the market value of traded derivatives due to interest rate or exchange rate fluctuations or other factors.
3. Liquidity risk: Traded derivatives shall chiefly consist of derivatives with relatively high liquidity; The Company shall maintain sufficient funds and credit to meet the need for funds at time of settlement.
4. Cash flow risk: The Company shall constantly undertake to control the risk of changes in cash flow and gains/losses from the traded derivative at the time of settlement due to interest rate or exchange rate fluctuations or other factors.
5. Operating risk: Relevant departments and personnel shall strictly comply

- with derivative regulations in these Procedures.
6. Legal risk: All contracts shall be reviewed by legal affairs department before signing with counterparties.
 7. Other:
 - (1) Personnel at the Finance Department authorized to perform derivative trading and trade confirmation shall be assigned by Senior Executive Vice President, Finance/ CFO.
 - (2) Personnel engaging in derivative trading should not serve concurrently in other operations such as confirmation and settlement.
 - (3) Personnel responsible for assessment, oversight, and control of derivative risk shall belong to a different department than the personnel in Item 2 of this subparagraph, and shall regularly report to senior management personnel.
 - (4) The derivative position held by the Company as a result of its hedging activities shall be assessed at least twice per month; assessment reports shall be submitted to senior management personnel.
 - (5) Senior management personnel shall constantly monitor and control derivative trading risk, regularly evaluate whether derivative trading performance complies with predetermined hedging strategy and whether the risk undertaken is within the Company's permitted scope of tolerance, and regularly assess whether the risk management measures currently in use are appropriate and are implemented in accordance with "the Regulations" and "the Procedures"; assessment results shall be submitted to the Board.
 - (6) Senior management personnel shall supervise trading and the state of gains or losses, and must adopt necessary response measures and immediately report to the Board if any abnormalities are discovered; independent directors shall be present at the resulting Board meeting and express their opinions.
 - (7) The senior management personnel mentioned in Items 3-6 shall refer to the same senior manager designated by the CEO under the Board's authorization, where that manager should not bear responsibility for derivative trading or position decision-making.

Article 30

The Company shall prepare a memorandum book for transactions of derivative financial products recording the type, amount, date of passage by the Board of Directors, and matters required to be carefully evaluated under Paragraph 1 Subparagraph 7 Items 4 and 5 of the preceding article.

Where the Company's transactions of derivative products are authorized by the relevant personnel pursuant to the Procedures, the information relevant to the transactions, including the amounts, contractual period, counterparties, and important trading terms and conditions, shall be reported to the soonest meeting of the Board of Directors after the transactions.

Chapter 7 Mergers and Consolidations, Splits, Acquisitions, and Assignment of Shares

Article 31

When the Company engages in mergers and consolidations, splits, acquisitions, and strategic investments, relevant operating procedures and authorized amount limits shall be determined on the basis of the Company's

Inter-Company's Investment Operating Guidelines and the Powers and Duties Chart of BOD and the Management.

When the Company engages in a merger or consolidation, split, acquisition, or assignment of shares, the responsible department shall, prior to convening the Board of Directors to resolve on the matter, engage a CPA, attorney, or securities underwriter to express 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 discussion and approval.

However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public 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 public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

Article 32

When participating in a merger or consolidation, split, or acquisition, the Company shall, prior to the shareholders' meeting, prepare a public report to shareholders detailing important contractual content and relevant matters concerning the merger or consolidation, split, or acquisition, and include it along with the expert opinion referred to in Paragraph 2 of the foregoing Article when sending shareholders notification of the shareholders meeting. These materials shall provide reference information when shareholders decide whether to approve the merger or consolidation, split, or acquisition. However, this restriction shall not apply when other laws or regulations exempt a company from convening a shareholders meeting to approve the merger or consolidation, split, or acquisition.

When the shareholders meeting of the Company or other company participating in a merger or consolidation, split, or acquisition fails to convene or to approve a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the shareholders at the shareholders meeting, the Company shall immediately publicly explain the reason, subsequent handling measures, and the anticipated date of the next shareholders meeting.

Article 33

When participating in a merger or consolidation, split, or acquisition, except when another law prescribes otherwise or special factors must be reported in advance to the Financial Supervisory Commission for approval, the Company shall conduct Board meetings and shareholders meetings on the same day as the company that participates in the merger or consolidation, split, or acquisition, and shall resolve matters concerning the merger or consolidation, split, or acquisition.

When participating in an assignment of shares, the Company shall call a Board meeting the same day as the other company participating in the assignment of shares, except another law prescribes otherwise or special factors must be reported in advance to the Financial Supervisory Commission for approval.

When the Company participates in a merger, split, acquisition, or assignment of shares, the following information in its entirety shall be recorded in writing, preserved for five years, and made available for inspection:

1. Basic information on personnel: includes persons who, prior to public knowledge thereof, participated in plans to carry out mergers, splits, acquisition, or assignment of shares, or those persons implementing the plan. Details of each person should include occupation, full name, ID number (passport number in the case of a foreign national).
2. Important dates: includes dates of signing of letters of intent and memorandums;

commissioning of financial services or legal advisors; signing of contracts and Board of Directors meetings.

3. Important documents and meeting minutes: includes plans regarding mergers, splits, acquisitions or assignment of shares; letters of intent or memorandums, important contracts, and Board of Directors meeting minutes.

When the Company participates in a merger, split, acquisition, or assignment of shares, it shall, within the filing time limits of "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities", report and submit the information according to prescribed format from Subparagraphs 1 and 2 of the foregoing paragraph to the Financial Supervisory Commission for reference via an Internet data system.

When the Company engages in a merger, split, acquisition, or assignment of shares with a company that is not listed on the stock exchange or whose stock is not sold at securities brokerages, the Company shall sign an agreement with the said company, and implement the transaction according to the preceding two paragraphs.

Article 34

Every person of the Company who participates in or privy to a plan for merger or consolidation, split, acquisition, or assignment of shares shall complete a confidentiality agreement, 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 connected with the plan for merger or consolidation, split, acquisition, or assignment of shares.

Article 35

When the Company participates in a merger or consolidation, split, acquisition, or assignment of shares, the share exchange ratio or acquisition price may not be arbitrarily altered except under the following circumstances, and the merger or consolidation, split, acquisition, or assignment of shares contract shall specify circumstances permitting alteration:

1. Cash capital increase, issuance of convertible corporate bonds, issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, and other equity based securities.
2. Action, such as a disposal of major assets, that affects the Company's financial operations.
3. Event, such as a major disaster or major technological shift, that affects shareholder equity or share price.
4. An adjustment when any party participating in the merger or consolidation, split, acquisition, or assignment of shares buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in.
6. Other conditions that the contract specifies may be altered and that have been publicly disclosed.

Article 36

When the Company participants in a merger or consolidation, split, acquisition, or assignment of shares, the contract shall explicitly state the rights and obligations of all parties, and shall also state the following:

1. Handling of breaches.
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 split off.

3. The amount of treasury stock that participating companies may buy back after the record date of calculation of share exchange ratio calculation, and relevant handling principles.
4. The method of handling increases or decreases in the number of participating entities or companies.
5. A plan implementation progress schedule, and anticipated completion date.
6. The scheduled date of the legally mandated shareholders meeting if the plan exceeds the deadline without completion, and relevant procedures.

Article 37

After public disclosure of the information, if the Company or any company participating in the merger or consolidation, split, acquisition, or share assignment intends further to carry out a merger or consolidation, split, acquisition, or share assignment with another company, procedures or legal actions that had been performed for the purpose of the original merger or consolidation, split, acquisition, or share assignment shall be re-implemented by all participating companies; except when the number of participating companies is decreased and a participating company's shareholders meeting has resolved and authorized the Board to change limits of authority, such company may be exempted from calling another shareholders meeting to resolve on the matter anew.

Article 38

When a company participating in a merger or consolidation, split, acquisition, or assignment of shares is not a public company, the Company shall sign an agreement with the non-public company, and shall comply with the provisions of Articles 33, 34, and the preceding article.

Chapter 8 Public Disclosure of Information

Article 39

When acquiring or disposing of assets, the Company shall publicly announce and report relevant information in accordance with its type on the Financial Supervisory Commission's designated web site in the prescribed format within the filing time limits of "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities"; provided, however, that if the competent authority releases other regulations or interpretation, those regulations or interpretation shall be complied with :

1. Acquisition or disposal of real property or right-of-use assets thereof from a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches NT\$300 million or more; provided, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
2. Merger or consolidation, split, acquisition, or assignment of shares.
3. Losses from derivative trading exceeding the overall limit or individual contract limit specified in these Procedures.
4. Where The type of asset acquired or disposed is equipment or right-of-use assets thereof held for operating use, the transaction counterparty is not a related party, and the transaction amount reaches NT\$1 billion or more.
5. Where real property is acquired under an arrangement on engaging others to

build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million or more.

6. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, or an investment in the mainland China area reaches NT\$300 million or more; provided, this shall not apply to the following circumstances:

(1) Trading of domestic government bonds.

(2) Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amounts of the transactions in the foregoing paragraph 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 target with the same transaction counterparty within one year.

3. The cumulative transaction amount of the acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project during one year.

4. The cumulative amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security during one year.

As used in preceding paragraph, during one year refers to a period of one year after the date on which the transaction took place. Items announced in accordance with regulations need not be included.

Article 40

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

When the Company at the time of public announcement makes an error or omission concerning 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.

When any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the foregoing paragraph, a public report of relevant information shall be made on the information reporting website designated by the Financial Supervisory Commission within the filing time limits of "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities":

1. Change, termination, or dissolution of a contract signed in connection with the original transaction.

2. The merger or consolidation, split, acquisition, or assignment of shares is not completed by the scheduled date set forth in the contract.

3. Change to the originally publicly announced and filed information.

Chapter 9 Supplemental Provisions

Article 41

When the Company acquires or disposes of assets, it shall keep all relevant contracts, meeting minutes, memorandum books, appraisal reports, and CPA, attorney, securities underwriter, or intangible asset appraisal organization opinions at the Company headquarters, where they shall be preserved for at least five years except when other laws stipulate otherwise.

Article 42

The acquisition or disposal of assets by a subsidiary of the Company shall be conducted in accordance with the following regulations:

1. A subsidiary shall determine its asset acquisition and disposal procedures on the basis of the "Regulations", and shall submit its procedures to the Company for future reference after approval by its board and shareholders' meeting; likewise in the case of revisions.
2. A subsidiary's acquisition or disposal of assets should be performed in accordance with the "Regulation" and its asset acquisition and disposal procedures, and the relevant matters to be carried out should be included in the self-inspection items under the annual internal control project. The Company's Audit Department shall check the self-inspection report submitted by each subsidiary.
3. Total amount of non-operating real property and right-of-use assets thereof and securities, and limit amount on each individual security acquired by the subsidiary company shall be determined by each subsidiary itself.
4. When a subsidiary is not a domestic public company, the Company shall publicly announce the subsidiary's acquisition or disposal of assets requiring public announcement as prescribed in Chapter 8.

Article 43

If managers or relevant implementing personnel of the Company violate the Regulations or the Procedures while engaging in matters connected with the acquisition or disposal of assets, disciplinary action shall be taken in accordance with the Company's personnel regulations.

Article 44

After receiving approval of the Board of Directors, the Procedures shall be submitted to the shareholders meeting for approval. Any amendment hereof shall require the same process.

Starting from the 7th Board of Directors, the amendment of the Procedures should be approved by more than half of all audit committee members firstly before submitting to the Board. If the requirement above 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.